| | | | | | |
|---|---|---|---|---|---|
| Austria | Sch 20 | Indonesia | Rp 2500 | Philippines | Pes 20 |
| Bahrain | Din 0.650 | Israel | NIS 3.50 | Portugal | Esc 90 |
| Belgium | BFr 45 | Italy | L 1500 | S. Arabia | Rls 6.00 |
| Canada | C$1.00 | Japan | Y550 | Singapore | S$4.10 |
| Cyprus | C£0.70 | Jordan | Fils 500 | Spain | Pta 175 |
| Denmark | Dkr 8.00 | Kuwait | Fils 500 | Sri Lanka | Rup 30 |
| Egypt | E£1.00 | Lebanon | £L 25.00 | Sweden | Skr 7.00 |
| Finland | Fmk 6.50 | Luxembourg | LFr 45 | Switzerland | SFr 2.20 |
| France | FFr 6.00 | Malaysia | Rm 4.25 | Taiwan | NT $85 |
| Germany | DM 2.20 | Mexico | Pes. 300 | Tunisia | Din 1.375 |
| Greece | Dr 80 | Morocco | Dh 6.00 | Turkey | L 350 |
| Hong Kong | HK$12 | Netherlands | Fl 2.75 | U A E | Dh 6.50 |
| India | Rps 15 | Norway | Nkr 7.00 | U S A | $1.00 |

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,018 — Friday August 29 1986 — D 8523 B


**South Korea edges toward political reform, Page 4**

World news

# Pretoria pledge on torture priest

Mr Louis le Grange, South African Law and Order Minister, submitted an undertaking to the Pretoria Supreme Court that no further police assaults would be carried out on Father Smangaliso Mkhatshwa, secretary general of the Catholic Bishops' Conference.

The minister said he was making the undertaking "without admitting the allegations."

In his affidavit, Father Mkatshwa said he had been "humiliated in various ways" while being interrogated by five security police who worked in shifts. He bad been made to stand for 20 hours at a tima and could barely walk after his ordeal. **Page 4**

## Relief for Cameroon

A massive international relief effort was launched to help victims of Cameroon's toxic gas disaster that killed at least 1,500 people and made thousands homeless. **Page 4**

## Iraqi raid

Iraq said its aircraft attacked Farsi Island in the Gulf, 100 km south of Iran's main oil terminal at Kharg Island.

## Manoeuvres end

The five-day joint US-Egyptian military manoeuvres ended with an aerial display in which the Egyptian team used Soviet, French, Chinese and US jets.

## US denial

The US denied it was trying to provoke Libyian leader Muammer Gadaffi and said it was warning him not to carry out anti-American terror acts It had evidence he planned.

## N-plant warning

Swedish experts described a nuclear reactor in Soviet Lithuania as even more unsafe than the Chernobyl plant before it exploded.

## Nato exercise

Ten Nato countries started a sea and land exercise involving 150 ships and 35,000 servicemen. Soviet aircraft and submarines are set to track them. **Page 2**

## Talks on Gibraltar

Britain and Spain are to resume talks on Gibraltar next month to prepare for a ministerial meeting at the end of the year. **Page 2**

## Death sentence

The Soviet Government stepped up attacks on corruption by sentencing to death Mr Vakhobzhan Usmanov, former Uzbek cotton minister, for padding production figures and taking bribes. **Page 2**

## Bolivian siege

The Bolivian Government declared a state of siege and ordered the army to disband a march by miners protesting against the economic austerity policies of President Victor Paz Estenssoro. **Page 16**

## Funds withdrawn

The US decided to stop financing the United Nations Fund for Population Activities because of its support for China's one child per family policy.

## Typhoon kills 13

Typhoon Vera cut across China and South Korea, killing 13 people and leaving thousands homeless.

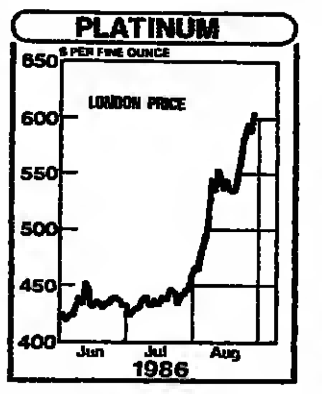
## Piggott fined

Former jockey Lester Piggott was fined £1,000 ($1,500) for possessing two guns and more than 400 rounds of ammunition without certificates at his home in Newmarket, England.

Business summary

# Platinum exceeds $600 in London

**PLATINUM** prices in London went above $600 an ounce to reach five-year highs amid continuing speculative fever, with strong buying, especially in New York, following renewed violence in South Africa, source of 85 per cent of Westero world supplies. **Commodities, Page 28**




**GOLD** rose $4.50 to $385.50 on the London bullion market. It also rose in Zurich to $388.25 from $380.25.

In New York the December Comex settlement was $392.00.

**DOLLAR** closed in New York at DM 2.0525, SFr 1.6550, FFr 6.720 and Y156.10. It rose in London to DM 2.0490 (DM 2.0445); FFr 6.7150 (FFr 6.7025); SFr 1.6525 (SFr 1.6450), and Y155.95 (Y154.65). On Bank of England figures the dollar's index rose to 111.1 from 110.8. **Page 28**

**STERLING** closed in New York at $1.4770. It fell in London to $1.4810 ($1.4845) and FFr 9.9450 (FFr 9.9500), was unchanged at DM 3.0350, but rose to SFr 2.4475 (SFr 2.4425) and Y231 (Y229.50). The pound's exchange rate index fell 0.2 to 71.0. **Page 28**

**WALL STREET:** The Dow Jones industrial average closed 4.36 down at 1,900.17. **Page 36**

**LONDON:** Equities rose and banks were especially popular. Gilts were mostly steady. The FT-SE 100 added 7 to 1,636.8, while the FT Ordinary share index gained 5.9 to 1,288.4. **Page 36**

**TOKYO:** Shares suffered another setback. The Nikkei average dropped 135.29 to 18,367.98. **Page 36**

**BANKAMERICA,** troubled US banking group, is to scale down its operations in Argentina, probably selling 30 of its 60 branches to Citicorp, the largest US banking group. **Page 16**

**MONTEDISON,** the Italian chemicals group whose agreed takeover offer for Sweden's Fermenta biotechnology concero was rejected by Swedish trade unions, has been asked by Mr Refaat El-Sayed, majority shareholder and chief executive of Fermenta, to take only a minority stake.

**BURROUGHS,** US computer group completing its $4.44bn acquisition of Sperry, put Sperry's large aerospace and marine group up for sale as the first move in a planned $1.5bn divestiture programme. **Page 17**

**BOND** Corporation Holdings, Australian brewing, resources and media group, reported a fivefold increase in operating profits to A$100.5m (US$61.3m), mainly resulting from expansion of its brewing operations in Australia and the US. **Page 17**

**FRUEHAUF,** US automotive parts and truck trailer company, is to sell parts of its heavy duty automotive, aerospace, leasing and financing operations following the $1.12bn leveraged buyout by a group led by Merrill Lynch, Wall Street securities firm. **Page 17**

**CATHAY PACIFIC** Airways, Hong Kong-based carrier, reported a 69 per cent rise in first-half net profits to HK$503.5m ($64.5m). **Page 20**

# German rates held as trade surplus soars to record

**BY JONATHAN CARR IN FRANKFURT**

WEST GERMANY piled up a new record trade surplus last month of DM 10.9bn ($5.3bn) – a result likely to bring it under further pressure from the US to boost economic growth and raise imports.

News of the July surplus came yesterday as the Bundesbank decided, at its regular fortnightly council meeting, not to change its key interest rates yet.

As a result, the discount rate stays at 3.5 per cent, where it bas been pegged since March, and the Lombard rate at 5.5 per cent, the level since last August.

The central bank thus confounded speculation that it might already ease its monetary stance in the wake of the latest cut last week (to 5.5 per cent) in the US discount rate.

The decision drew expressions of disappointment from both American and French officials, who had hoped for an early cut.

Mr Larry Speakes, the White House spokesman, asked if the US was disappointed with the West German decision, said: "We had boped that other countries would take steps in concert with the US to reduce interest rates."

It is expected, however, that the Bundesbank will set a new growth signal by reducing rates before the meeting of the International Monetary Fund (IMF) in Washington next month.

Such action would provide scope for similar cuts by other leading industrialised countries, just one year after the "Group of Ten" gathering in New York which agreed on a coordinated policy to depress the dollar.

The latest trade surplus exceeds by DM 900m the previous record for a single month (last April), and brings the total surplus for the first seven months to DM 61.2bn. This compares with DM 38.9bn for the corresponding period last year, and is a further sign that the 1986 trade surplus will easily top DM 100bn.

After allowing for deficits on services and transfer payments, the current account surplus totalled DM 5.8bn in July and DM 40.5bn in the first seven months (compared with DM 17.6bn in January–July 1985).

The West Germans argue that their soaring surpluses in nominal terms are due to the drop in the value of their imports, caused hy the fall of the dollar and the slump in the oil price.

In "real terms" (after allowing for price changes), imports grew by 7.5 per cent in the first half of this year, while exports were up by only 2 per cent. This, it is argued, shows Germany is already acting as best it can as a "locomotive" for the world economy.

The Bundesbank also notes that money supply continues to overshoot the target range set for it late last year, and that further steps to stimulate the economy might simply bring a resurgence of inflation.

Despite that, it is feared that a further sharp fall in the dollar would seriously hit German exports. It is also noted that the Reagan Administration is under growing pressure from Congress to take trade protectionist measures.

Hence the Bundesbank is gradually moving towards a cut in its key rates – which would both help arrest the appreciation of the D-Mark and be seen as a gesture to help the US with its own trade problems.

**George Graham in London writes:** The Bundesbank's decision not to cut its interest rates yesterday had been widely anticipated in the foreign exchange markets, but the expectation that a cut was still imminent helped to keep the dollar huoyant.

The US currency traded as higb as DM 2.054 before closing in London with a gain of nearly ½ pfennig at DM 2.049.

The D-Mark weakened against other European currencies yesterday.

**SPD confidence buoyed at conference, Page 2**

# US hopes lifted by rise in key economic index

**BY NANCY DUNNE IN WASHINGTON**

THE US index of leading indicators, a key Government gauge of short-term future economic activity, rose a healthy 1.1 per cent in July, the Department of Commerce said yesterday, suggesting that the sluggish pace of growth could pick up in the coming months.

It was the first gain for the index since a 1.3 per cent jump in April, and it provided some hopeful, hut by no means conclusive, news after a series of disappointing reports which indicated that the lacklustre US economy, battered by imports, migbt be heading for a recession.

A Commerce Department economist said the boost in the indicators – led by a surge in M2 money supply and the formation of new businesses – "lends credence" to many predictions of improvement in the economy in the second half of the year.

Other economists cautioned that the index, like the 4.3 per cent increase in durable goods reported last week, is subject to large revisioos on the basis of new data. As if to emphasise that possibility, the department yesterday revised the June indicators sharply down – from an 0.3 per cent increase reported last month to a 0.4 per cent decline. The index dropped 0.1 per cent in May.

Last month, seven of the 11 indicators making up the index showed an improvement including changes in sensitive materials prices, contracts and orders for plant and equipment, a rise in outstanding credit and a decline in initial unemployment claims.

Among the negative indicators were declines in stock prices, building permits and new orders for consumer goods and materials.

While the leading indicators have sometimes been criticised as no longer truly reflective of the economy, they have a good record for predicting recessions, according to Mr Larry Moran, a Commerce Department analyst.

"They bave predicted eight out of the last 10 recessions," he said. In two cases, there were no recessions, but there were economic slowdowns.

Administration economists, who six months ago predicted a 4 per cent economic growth rate for 1986, have since revised the forecast to 3.2 per cent. To meet that goal, the economy will have to grow at a 4.2 per cent annual rate for the rest of the year.

Yesterday's report had little effect on the stock market. Analysts said rumours of the coming report circulated Wall Street on Wednesday afterooon.

**Canada cuts budget deficit, Page 3**

# Mexico seeks lower interest rates in new debt package

**BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON**

MEXICO has asked for a substantial reduction in the interest margins charged on the $48.7bn multi-year rescheduling agreed in 1984 to be included in the new debt rescue package it is negotiating with its leading bank creditors.

The request came from Mr Angel Gurria, Mexico's chief debt negotiator, in New York talks late on Tuesday night designed to flesh out the new package following its recent $1.6hn loan agreement from the International Monetary Fund.

Bankers attending the talks declined to quantify tha requested reduction – the 14-year rescheduling carries an average margin of 1⅛ per cent over the London interbank offered rate (Libor) – as they said it was presented as a point for negotiation rather than an outright demand.

Mexico has long said it would be seeking interest rate concessions from its bank creditors. However to the relief of hankers present at the talks Mr Gurria did not suggest that rates should actually be cut helow Libor for Eurocurrency deposits which represents their benchmark cost of funds.

It is nonetheless now clear that a thorough revision of the multi-year rescheduling agreement, including probably its repayment schedule, will be one key plank of Mexico's new debt package.

According to Mexican figures published at the time the rescheduling was announced, some $2bn of principal falls due under the package in each of the next three years.

Mexico's ability to refinance these payments will clearly affect its need for fresh commercial bank finance. Because of the size of the multi-year package the same is true of its ability to reduce the interest margins, the bankers said.

The bankers said that one aim of the new package will be to forestall a need for Mexico to return each year to its bankers because of a recurring shortage of foreign exchange. For that reason they are trying to take account now of a number of different problems which could affect the size of the new money requirement, put so far at $6bn.

One looming problem is the bankers acceptances, totalling $3bn and £250m, arranged by Pemex, the state oil monopoly, to finance oil exports. These have to be rolled over each month and are now therefore too large to be backed up by Mexico's dwindling oil receipts.

Despite the conclusion earlier this week of a $1.6bn bridging loan hy Mexico, the bankers said talks on the new package are still likely to be long and complicated.

Mexico is to draw shortly $850m of the bridging loan, of which $545m is being provided by the US, $550m by other comtries including Argentina, Brazil, Colomhia and Uruguay and $500m by commercial bank lenders.

# UK group wins £400m engineering contract in Malaysia

**By Christian Tyler in London**

THE BIGGEST civil contract ever awarded by the Malaysian Government was clinched in favour of a British company with the help of a highly concessionary loan agreemeot signed in London yesterday.

Biwater Group of the UK, with its Malaysian partner, Antah Holdings, bas won a contract valued at about £400m ($592m) to supply piped drinking water to several million rural dwellers throughout the country.

According to bankers close to the deal, which took three years to negotiate, Malaysia will be paying little more than 1 per cent interest on its foreign borrowing to finance the project.

The loan package was arranged by the Bank of America in London in D-Marks, with the addition of £60m of UK Government aid, the largest single grant ever made from the Government's aid and trade provision. The annual budget for this facility is less than £70m.

Biwater, a private specialist contracting and engineering company, initiated the project, but bad to face Japanese and French competition. Its French competitor, Degremont, was in the running until the last minute with an offer to match the concessionary credit.

The deal was hailed by Mr Alan Clark, UK Trade Minister, yesterday as a triumph of co-operation between the Government and the company. Both Mrs Margaret Thatcher, the Prime Minister, and Mr Paul Channon, former Trade Minister, had lobbied for the contract during visits to Malaysia last year.

It was seen as cementing the political reconciliation between Britain and Malaysia after a controversy over the "repatriation" of British-owned Malaysian assets.

Tha contract is worth about £200m to Biwater's UK plants and other British subcontractors. Mr Clark said it would provide nearly 10,000 man-years of work over the next five years.

Yesterday's agreement provides a DM 500m ($245m) loan, repayable over 14 years at an interest rate of only 6.51 per ceot, backed by the Export Credits Guarantee Department, the British Government's export finance agency.

The interest rate is lower than the present OECD-approved rate of 6.61 per cent for fixed-rate financing in D-Marks. But officials stressed yesterday that the deal was legitimate.

The lower rate was achieved by breaking the loan into five parts to

**Continued on Page 16**

# Ericsson axes jobs as profit slide continues

**BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM**

ERICSSON, the Swedish telecommunications and electronics group suffered a 28 per cent decline in profits in the first six months of 1986 and is planning to cut 4,600 jobs in its public telecommunications and information systems workforce by the end of 1988.

Ericsson's profitability has been under severe pressure since 1984. It bas already cut some 4,000 jobs in its beavily loss-making information systems husiness during the last year.

Profits plunged by 44 per cent last year and have fallen by a further 28 per cent in the first half of this year to SKr 461m ($66m) – before appropriations and taxes – compared with SKr 644m in the corresponding 1985 period.

Profits were buoyed hy extraordinary gains of SKr 163m against SKr 170m a year earlier.

The group said that rationalisation measures already implemented or planned should "yield a continuing gradual improvement in profitability" during the second half and in 1987. But the growth trend in the market for information systems was a "major uncertainty".

New orders booked in the first six months of 1986 fell marginally to SKr 16.059bn from SKr 16.196bn a year earlier, while group sales were also virtually unchanged at SKr 15.186bn compared with SKr 14.907bn.

Ericsson said that sales were depressed by the lower growth rate in the communications market as well as the lower dollar exchange rate. It has also disposed of some small operations and on a comparable basis, sales rose modestly by some 5 per cent.

The group had already frozen recruitment in telecommunications at the beginning of the year. It is now being forced to take more drastic measures to arrest the slide in profitability in its key business area, which last year accounted for 29.9 per cent of sales and 76 per cent of group operating income.

Operating profits in telecommunications fell by a third last year and Ericsson said that profits were again "somewhat lower" in the first half of this year.

In the face of lower growth rates and with existing excess capacity in the industry worldwide, Ericsson is now planning to cut a total of 2,800 jobs in telecommunications by the end of 1988.

It is shedding 600 white collar personnel mainly in the Stockholm area by the end of next year and is cutting factory workers by 1,200 in Sweden and by 1,000 abroad, up to and including 1988.

Ericsson said that modern components technology and more efficient production methods meant that the labour content in telecommunications products would be reduced hy 25 per cent over the next 2½ years.

**Continued on Page 16**
**Lex, page 16**

# GM offers cut-price deals to clear stocks

**BY ANATOLE KALETSKY IN NEW YORK**

GENERAL MOTORS, the world's largest car manufacturer, yesterday announced an unprecedented programme of cut-price financing in an effort to clear the backlog of unsold vehicles accumulating at its factories as GM cars bave continued to lose market share to Japanese and European models.

GM will be cutting financing costs from 6.9 per cent to 2.9 per cent, the lowest interest rate in its 67-year history, for customers wbo purchase 1986-model cars or light trucks before October 6. GM is also delaying the introduction of its 1987-models by two weeks, to October 9. This move could have implications for the closely watched quarterly fluctuations of the US gross national product, which has been influenced perceptibly in the last year by fluctuations in GM's production schedules.

The company was at pains yesterday to put an enthusiastic gloss on what it called its "precedent shattering programme to ignite the market." But Wall Street analysts were generally agreed that GM's measures were a sign of the company's distress in the face of competition which is proving much tougher than the once-dominant group had expected.

With investories of unsold cars equivalent to 100 days of production of some models, GM was now "thrashing about like a wounded elepbant," Mr David Healy motor

**Continued on Page 16**
**GM/Suzuki plan assembly plant, Page 6**



CONTENTS

WEST GERMAN SPD ENDS CONGRESS BUOYED UP AND UNITED

# Rau rises to challenge of rousing his party

BY PETER BRUCE IN NUREMBERG

IT COULD become a real fight after all. A terrible summer for West Germany's opposition Social Democrats (SPD) has made it fashionable in Bonn to dismiss them as complete no-hopers in next January's general election: but the party ends its main pre-election convention here today in very high spirits and remarkably, if perhaps only temporarily, united.

That may be half the battle won. Polls published last week had the SPD at 40 per cent, its worst showing since February. The main governing alliance, the Christian Democrats and Christian Social Union (CDU/CSU) were steady at 45 per cent.

The SPD was seen to be at odds with itself and Mr Johannes Rau, the man chosen to challenge Mr Helmut Kohl for the chancellorship, a nice family man unsuited to the demands of statesmanship.

If only because mood will be important in the next five months, Mr Rau may have changed all that with a two-hour speech to the convention on Tuesday. He not only appealed for, and demonstrably won, the support of the entire party but he also gave it a platform on which to campaign that was much more lengthy and detailed than even his friends had expected.

In a sense he was jumping the gun. He spoke before he was formally voted as chancellor candidate and before most of the hundreds of motions to the convention had been put. But in doing so, and so successfully (the standing ovation he won afterwards was as much a demonstration of surprise on the part of many delegates as it was of relief), he outfoxed the left and simply dictated to the party the policies he wants to campaign on and which many members said would be denied him by the left.

SPD TRIUMVIRATE: Parliamentary leader Hans-Jochen Vogel (left), chancellor candidate Johannes Rau (centre) and party chairman Willy Brandt confer at the congress in Nuremberg

Mr Rau still has to draw up a final election programme and present it in October, but it clearly will contain a firm commitment to build no more nuclear power stations and gradually to close those already built.

This is a dramatic departure for the SDP, which 30 years ago used to chide the CDU Government for not using enough atomic power. The commitment also promises to be very attractive to voters and is probably the most powerful political card Mr Rau holds.

The party is vulnerable on defence but, even so, Mr Rau successfully fought off efforts to force him to agree to demand the withdrawal of all US Pershing 2 and Cruise missiles from West German soil within a few months of coming to power. He will commit himself to their removal in his programme but he will not put a time limit on withdrawal.

On an issue of such potential political danger he is to a large extent off the hook. His only worry now is that the party left, which did well yesterday in elections to the executive, may not be persuaded to remain silent during electioneering.

Attacking the Government's economic record will also be very hard, despite high unemployment. Mr Rau's aim will be to beat the jobless drum as hard as possible but at the same time to avoid committing himself to major spending programmes. West German growth may be unimpressive but the electorate has learnt to appreciate the virtues of falling prices, and he will not want to threaten the current deflationary trend too much.

He will try to conjure up a platform to foil the inevitable accusations of SPD statism. He will fiddle with, not scrap, the DM 20bn (£6.6bn) tax reform programme which Mr Kohl has already set in progress. He will levy high earners to ease youth unemployment, but only for a while. The state, he says, will take on more responsibility for promoting individual enterprise and risk-taking.

If anyone can be all things to all people, Mr Johannes Rau probably can. He only needs to win about 44 per cent of the vote to make life very difficult for the present government and its Free Democrat (FDP) coalition partners, who even at their present peak polls showing have only 51 per cent.

Mr Rau will not form a coalition with the radical Greens, who now score 7 per cent in the polls, but neither would he turn away their votes in the Bundestag if it meant staying at the head of a minority government.

"If Kohl's coalition doesn't win an outright majority they won't last a full term," said one old SPD hand here. No one in the party was being that confident a week ago.

# Big Nato exercise excites strong Soviet interest

BY DAVID BUCHAN

TEN NATO countries today start a large sea and land exercise involving 150 ships and 35,000 servicemen, practising amphibious reinforcement of the alliance's northern flank, and which has already attracted considerable Soviet intelligence interest.

Long-range Soviet Bear aircraft, and probably nuclear attack submarines, have tracked Nato forces approaching the line between Greenland, Iceland and Scotland, while at least two Soviet Krivak frigates are shortly expected on station there, officials at the Nato naval command centre at Northwood, outside London, said yesterday.

For Britain it is the first major naval exercise since it signed an accord with the Soviet Union last month to prevent naval collisions or accidents. This agreement, virtually identical to the 1972 US-Soviet incidents-at-sea accord, provides for a special set of signals so that ships shadowing each other do not dangerously misread each other's intentions.

Nato officials expect greater than usual Soviet surveillance. This is partly because the exercise, Northern Wedding, is the largest of its type since 1978. Held every four years, the last Northern Wedding exercise was held on a reduced scale as it coincided with British involvement in the Falklands war.

But the Soviet navy may also use the manoeuvres as part of an exercise of its own in the eastern Atlantic, where it has not exercised for more than a year, Admiral Sir Nicholas Hunt, the Nato Commander in Chief Channel, said yesterday.

In the cat-and-mouse games that Nato and Soviet navies play, it is not unusual for one side to combine surveillance of other's set-piece exercises with some practice manoeuvres of its own.

Northern Wedding, which starts today with embarkation of British and Dutch *amphibious forces* from Plymouth and ends with landings at Larvik in Norway and Jutland in Denmark in the middle of next month, has a large air element.

Seeking to discount the possibility that the US might be planning another strike against Libya from UK bases under the cover of Northern Wedding, Nato officials said yesterday that the arrival in Britain of a squadron of F-111 fighter-bombers from the US had been long planned. They were to form part of the orange (enemy) forces attacking planned amphibious landings. F-111s flew from Britain to bomb Libya last April.

# Sweden to launch satellite service

By Kevin Done, Nordic Correspondent, in Stockholm

SWEDEN is planning to launch a series of small satellites up to 1990 as part of a new service aimed at improving Swedish corporations' communications with their foreign subsidiaries, particularly in the Third World.

The service, to be called Mailstar, is expected initially to employ two satellites, one launched by the Chinese Long March II rocket and one by the European Ariane system. Both would be launched as so-called piggy-back payloads on board larger satellites.

Televerket, the Swedish PTT, will take a majority shareholding of 80 per cent in the Mailstar company. Saab-Scania, the motor and aerospace concern, is taking a 17 per cent stake in the venture through its Saab Space subsidiary as is Ericsson, the telecommunications and electronics group, through its subsidiary Ericsson Radio Systems. The remaining 6 per cent will be held by Rymdbolaget, the state-owned Swedish space corporation.

Unlike the big geo-stationary satellites which are lodged in orbit above the Equator, the Swedish satellites will be put into a low polar orbit some 800-1,5000 km above the earth.

As a result, the satellites will be able to receive and transmit signals to all parts of the world with a maximum delay of some three hours.

The service is aimed at providing text and picture communication *chiefly with locations* in *developing* countries where the local ground-based telecommunications networks are either poor or non-existent.

It will compete with existing telex and telefax services, and it is planned that a single A4 sheet of information could be transmitted for as little as SKr 25 ($3.60). It will be aimed chiefly at the large number of Swedish multinational corporations with subsidiaries in developing countries but could be marketed later in other European countries.

According to Mr Claes Anggard, deputy managing director of Rymdbolaget, the system will be relatively cheap to launch and could be established with the first two satellites in orbit for some SKr 200m – SKr 300m compared with the cost of about SKr 1.5bn for establishing a conventional geo-stationary satellite.

The satellites, each weighing some 90 kg, are expected to have a life of up to five years. The earth station for controlling the satellites would be Esrange, the space corporation's space research range located close to Kiruna, above the Arctic circle in northern Sweden.

Esrange already serves as a ground station for the US Landsat and the French Spot remote sensing satellites as well as the Japanese Exos-C and the Swedish Viking scientific satellites. Users of Mailstar will only need cheap remote terminals and a small roof antenna.

Televerket is now to conduct a detailed marketing study in Sweden and a final decision to go ahead with the project is expected in March next year.

# Czechs export less to West

By Leslie Colitt in Berlin

CZECHOSLOVAKIA maintained its pace of economic growth for the first half of the year, but failed to boost exports to the west—partly because of the fall in oil prices—while imports increased.

National income (gross national product minus services) rose 3.2 per cent against a target of 3.5 per cent. Industrial production was also 3.2 per cent higher and exceeded the target. A Czechoslovak economic commentator, however, said one-fifth of industrial companies had not fulfilled their gross production plan, and those which had were stressing quantity and paying inadequate attention to qualitative indicators.

Exports to the west fell 3.1 per cent against the same period in 1985, while imports from the west rose 10.7 per cent. Czechoslovak sales of petroleum products in the west were hit hard by falling oil prices.

Exports to other Communist countries rose 1.6 per cent, while imports from them were up 2.6 per cent.

Government officials and the Czechoslovak media for some time have criticised the poor performance of exports to the West and the preponderance of fuels, raw materials and semi-finished goods.

A leading economics journal said last year that, while Czechoslovakia had higher steel consumption per capita than other industrial countries, it achieved the lowest prices per kilogram of machinery exported to EEC countries. As planned, crude steel output expanded more slowly this year and was 1.5 per cent higher (7.8m tonnes) than in the same period of 1985.

Electrical engineering output rose 9.7 per cent, compared with a growth target of 9 per cent. Nuclear power generation rose 60.6 per cent and contributed 19.7 per cent of electricity production.

# Soviet scientist wins plaudits for candour over Chernobyl

**The man responsible for cleaning up the world's worst nuclear disaster has greatly impressed delegates at the IAEA 'post-mortem,' reports David Fishlock from Vienna.**

"HE'S LAYING it all out. He's admitting faults in the design, in training, in Soviet safety philosophy," said an astonished delegate on the first day of the international "post-mortem" on the Chernobyl nuclear accident in Vienna this week.

An hour later the 500 delegates from 45 countries spontaneously applauded Academician Valery Legasov when he ended his five-hour marathon presentation of the official Soviet account of the disaster at the big Ukranian reactor.

Professor Legasov, a burly, bespectacled scientist in grey suit and striped tie, engrossed in his presentation, seemed unmoved by the response. But Russian colleagues admit it took them by surprise. They feared they were facing an inquisition and would be indicted by Western nations for causing the accident when, as they saw it, they were asking for help. One country had already submitted more than 40 pages of questions before the meeting even began.

The professor heads a Soviet delegation of 23, composed of people who have managed the recovery from events in the early hours of April 26 when the RBMK-1000 reactor exploded and hurled tons of radioactive debris high into the sky.

Since later that day he has been involved and "seen everything for himself," to quote another delegate. His specific responsibilities lie in cleaning up the world's worst radioactive mess.

His candour has amazed and gratified even the Americans. They came warily, fully prepared for a political circus of a kind all too common to the hosts, the International Atomic Energy Agency.

Prof Legasov speaks little English and is almost unknown in the West. He emerged late in the day as leader of a team required to make an evidently well-rehearsed presentation of a very complex and sometimes inexplicable situation which has had such wide ramifications for the rest of the world.

*But his technical qualifications* are excellent. He is a nuclear chemist, born at Tula near Moscow, and trained at the Mendelev Institute. Since 1961 he has worked at the Kurchatov Institute of Atomic Energy, near Moscow, a Soviet equivalent to Harwell where nuclear reactor technology is developed.

He is first deputy director of the Kurchatov Institute under Prof Anatoly Alexandrov, president of the Soviet Academy of Sciences. He has been an academician from the unusually early age of 45. A man who speaks his mind bluntly, he has argued against colleagues who said that the "three wise men" from the IAEA should not be invited so soon after the accident, on the pretext that it might damage their health. As a direct result of that visit, the idea was born of this week's international meeting to analyse the accident and its aftermath.

What astonished the West about Professor Legasov's lengthy presentation were the asides, the unscripted and apparently unrehearsed admissions and insertions which so frankly accepted blame for the disaster. They established, moreover, that the blame must be shared by the Soviet nuclear scientists and engineers, and not simply heaped upon the operators, as was done last week at a news conference in Moscow.

There had been a "tremendous psychological mistake on the part of designers of this reactor," Professor Legasov confessed. They had simply failed to foresee that deliberate errors and violations of written operating procedures might occur in what they knew was a touchy reactor, easily perturbed. Technically, it would have been easy to prevent events escalating to catastrophic proportions. "This is a great fault on our part," he said.

His delegation has come to Vienna seeking "critical and constructive discussion" of Soviet plans for salvaging its nuclear power programme. He reported some of the changes already being made to enhance safety in the RBMK-type reactors, said they would certainly rely less on the operator and more on engineering in future, and admitted that the Soviet Union had failed to instil the lessons of earlier nuclear accidents.

Worse still, as the meeting drew to a close it became clear that the Soviet Union may have ignored the lessons of its own nuclear accidents. Despite a public denial that it had never previously suffered an accident in the RBMK reactors, the West believes there is considerable substantial evidence that an accident occurred in one of the six small military progenitors of this type, used to make plutonium. The efficiency of the emergency and decontamination activities at Chernobyl strongly suggests prior experience.

This week, Prof Legasov privately accepted a British proposal for an international scientific conference to introduce the Soviet Union to a subject its nuclear designers have clearly been ignoring, namely the intimate relations between man and machine—human factors—in operating nuclear reactors.

# Irish peat workers face lay-off

By Hugh Carnegy

THE IRISH state peat company, Bord na Mona, is to lay off 60 per cent of its 4,300 workers because of bad weather. The decision is due today when the board of directors meet to decide how to respond to what Mr Patrick MacEveilly, its managing director, called a catastrophic fall in production because of two successive summers of bad weather.

This latest weather-induced industrial crisis emerged as the cabinet of Dr Garret FitzGerald went into emergency session last night to tackle the economic problems confronting Irish farmers as a result of the recent atrocious weather.

Hopes that this year's harvest of milled peat, Bord na Mona's main revenue earner, would be saved by a spell of dry weather were finally dashed by this week's storms. Production is expected to meet just 33 per cent of targets, only marginally better than last year.

Profits in the year to March 1985 were 50 per cent down at I£5.3m (£4.8m) and Mr MacEveilly said there would be a revenue shortfall of I£50m over the next two years. He said the position could be eased if the Government met Bord na Mona's outstanding debts of I£17m.

Bord na Mona's main customer is the Electricity Supply Board which uses milled peat at 11 power stations, seven supplied by Bord na Mona. Milled peat is also used in the production of peat briquettes which are widely used in the domestic market but are now in short supply

Another important Bord na Mona product and export, garden peat moss, which accounts for 15 per cent of turnover, has a different harvest cycle.

# Minister sentenced to die in Moscow corruption purge

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET Government has stepped up attacks on corruption in the five republics of Central Asia with the sentencing to death of the former cotton minister from Uzbekistan, the centre of the Soviet cotton industry.

Since the death of President Leonid Brezhnev in 1982 the Communist party leaderships throughout Central Asia have been heavily purged for corruption, economic mismanagement and nepotism.

The official Soviet news agency Tass said that Mr Vakhobzhan Usmanov, Uzbek cotton minister for 11 years up to 1984, was sentenced to death for padding production figures, taking bribes worth hundreds of thousands of roubles and aiding embezzlement. Other officials in the Uzbek industry also received heavy sentences.

Uzbekistan produces two-thirds of the Soviet Union's cotton but output has dropped to 5.4m tons over the past two years, down from 6m in the early 1980s. Exaggerated figures for cotton circulated by Mr Usmanov in the early 1980s may be responsible for the drop.

Communist party officials in Kazakhstan, the largest Central Asian republic, were heavily criticised for corruption, concealing facts and poor agricultural performance in the Communist party daily newspaper, Pravda, yesterday. It said that meat and milk production was below target, mutton output down and cattle and wool production stagnant. It accused local leaders of falsifying figures and embezzlement.

This June Mr Mikhael Gorbachev formally annulled posthumous honours awarded to Mr Sharaf Rashidov, Communist party leader of Uzbekistan for 24 years and a non-voting member of the politburo, who died in 1983. A purge started almost immediately after his funeral, which was attended by few senior leaders from Moscow.

# Spain and UK to resume Gibraltar talks next month

BY JOSEPH GARCIA IN GIBRALTAR

BRITAIN AND Spain are to resume talks on Gibraltar. Two rounds will be held next month, the first concerning aviation and the second in preparation for a ministerial meeting due at the end of the year.

The last round of talks was cancelled at Spain's request last May because it did not believe there had been sufficient progress in discussions about the future of the airport at Gibraltar. The Spaniards had been pressing for two terminals, one of which would be for flights to and from Spain, allowing passengers to avoid Gibraltar passport and customs controls.

The proposal has met with resistance at political and commercial level in Gibraltar. The talks now due on September 10, to be held in Madrid, will try to achieve a breakthrough on this question as well as in other areas of possible co-operation, such as the resumption of maritime links between the Rock and Spanish mainland.

Mr David Ratford, head of the Southern European Department at the UK Foreign Office, left Gibraltar yesterday after a brief visit to sound local feelings which are running high following the British decision to remove the ceremonial guard at the frontier against the advice of the Gibraltar Government.

Spain has said it would be prepared to remove its own frontier guards if Britain removed the frontier gates. This has been rejected as premature by Britain, following strong opposition in the colony.

# Basle group in N-treaty call

By John Wicks in Zurich

REGIO BASILIENSIS, an organisation representing the interests of the Basle region, has called for an international treaty on local nuclear power stations.

At its annual meeting on September 3 in the German border town of Lörrach, the body will vote on a resolution calling on the Swiss Government to start immediate negotiations with West Germany and France.

Regio Basiliensis says the negotiations should be aimed at drawing up a treaty between the three governments on the operation of nuclear power stations in the area, as well as the means of warning and evacuating local inhabitants.

At the same time, authorities in the region are asked urgently to guarantee "rapid and frank information" in the case of nuclear plant accidents.

At present, five nuclear power stations are in operation in the region, three of them in Switzerland and two in France. Plans exist for two more, in Kaiseraugst near Basle and in Wyhl, Germany.

The risk of a second tidal wave of white refugees alarms Lisbon, reports **Diana Smith**

# Portugal performs delicate balancing act in Africa

THROUGHOUT 1975, the refugees from Africa poured into Lisbon. Those from Angola had withstood 13 years of colonial war but could not face civil war in Portugal's richest colony. They grabbed what they could and fled to a motherland some had never seen and others had not visited for 50 years.

Alarmed by growing chaos, settlers and colonial servants left Mozambique, Guinea-Bissau, Cape Verde and the islands of Sao Tome e Principe. They saw no future for their enterprise in the emerging Marxist regimes.

By December 1975, 750,000 refugees strained meagre Portuguese housing and feeding resources beyond all limits. Lisbon was in chaos. Every hotel or *pension*, the home of every refugee relative burst with traumatised, angry people. Some adapted quickly. Others first turned their anger on the state and cheated it of every cent they could gouge from padded *bills and phony* invoices.

A 500-year colonial era was ended by muddled decolonisation led by naive Portuguese officers eager to exorcise the guilt of an ugly colonial war and by naive politicians eager to be seen to do the right socialist thing.

By the early 1980s the memory was fading of the grim summer of 1975, with its packs of wildly-ululating women refugees chasing terrified soldiers—to them, treacherous "communists"—through Lisbon streets, or disoriented refugees wailing in lobbies of five-star hotels deserted by tourists who wanted no part of the 1975 revolution.

Official Portugal wanted a new role in Africa. It was not *sure which: friend, counsellor,* go-between or financier?

But it was hard for a small, poor country whose 20th century glory had been its rich Southern African colonies to shake off a 500-year heritage. Inglorious decolonisation whetted a need to be significant again in a zone that had plummeted into economic hardship.

Government after government sought to build an African bridge. They had little difficulty befriending the wily Samore Machel in Mozambique, whose Frelimo ruling party was hard put to run a country devastated by flood or drought, guerrilla attacks by the South Africa-backed Renamo, and bandits.

Mozambique was in trouble. Portuguese *officials and some* entrepreneurs wanted to be seen to help.

The Bank of Portugal opened credit lines. Naively picturing quick restoration of supremacy, some industrialists who had a captive market in colonial days and could not cope with competition on European markets saw Mozambican friendliness as a new Eldorado.

But Mozambique is no one's

**The Portuguese strongly condemn apartheid but memories of what happened in 1975 when thousands of settlers and colonial servants poured out of Mozambique and Angola have obliged them to be cautious towards South Africa, where 750,000 of their fellow citizens live**

gold mine: It has no spare cash. Portuguese helpers have been kidnapped and killed by bandits or guerrillas. But the will to be friends is withstanding severe pressure.

In Angola it is less easy. Heavily influenced by the Soviet bloc, co-existing with 20,000 Cubans, rankling after being cheated by fast-buck Europeans and Brazilians who rushed to do business when Angola had spendable revenue from the tiny oil-rich enclave of Cabinda—the hermeti MPLA has not readily trusted Portugal.

Posturing by some Portuguese officials eager to prove their superior expertise in African affairs, and the inescapable fact that the decolonising Alvor treaty of 1975 equally recognised the MPLA, Jonas Savimbi's Unita movement and the Congo-based FNLA have not helped.

Portugal cheered when South Africa and Mozambique signed the 1984 N'Komati non-aggression pact—not only because it heralded a chance to build up economic ties with Mozambique in a quieter atmosphere, but also because it might help to recoup some of the huge losses on the Cabora Bassa dam in *Mozambique* that cost Portugal $600m in loans to build in 1972 and earned not a penny profit due to frequent Renamo sabotage and the tiny rates South Africa pays for Cabora Bassa electricity supplies — when there are any.

In the light of continued clashes in Angola, of South Africa's continued help for Renamo and the South African internal crisis that affects 750,000 Portuguese citizens living there, today's Portuguese Government has no illusions. Instead, it is labouring to maintain a pipeline in a deteriorating scene.

The present Foreign Minister, Mr Pedro Pires de Miranda, and the Secretary of State for Co-operation, Mr Eduardo Azevedo Soares, are seen as practical men free of controversial posturing or sentimentality about Portuguese-speaking Africa. Since coming to office last year, they have devoted much of their time to the worrying African question.

They want a balance that is especially delicate because Portugal condemns apartheid while trying not to jeopardise nervous Portuguese residents in South Africa, the least privileged whites there. *Most* are from the beautiful but poor island of Madeira, whose population they outnumber three to one. If they decided to flee South Africa in panic as Portuguese refugees fled in 1975, Lisbon would be honour-bound to take them in. The economy, while much better than in 1975, would buckle under an influx equivalent to 8 per cent of the population.

"We absorbed one tidal wave without completely collapsing," an official said recently, "but we'd rather not take another."

A desire to hold back the tide is only part of the reason why Portugal wants peaceful change in South Africa. A growing understanding of the bleak state of former colonies suggests that an escalating siege mentality in Pretoria could turn Mozambique and Angola into whipping-boys for South African frustrations on the excuse that the two countries shelter the ANC (African National Congress) or Swapo (the South West African People's Organisation).

Aware that Mozambique barely ticks over and that Frelimo's effort to raise farm output by allowing land tenure for 50 years renewable rather than the revolutionary three years non-renewable, comes too late, deterred from practical aid by relentless guerilla or bandit attacks, Portugal can do little but register concern in South Africa and compassion in Mozambique.

In Angola, Unita now with US backing, is strong in the countryside where the largely-urban MPLA never established deep roots. Without a rural base the Moscow-backed MPLA faces the threat of famine. Starving Ethiopian children get more publicity but starving Angolan children are as badly off.

Eleven years after decolonisation, most of Portugal's ex-colonies are bruised by economic failure and precariously held by regimes that started as moderates in the era of the African wind of change and hardened into revolutionary Marxism in the theatre of colonial war. Powerless to exercise decisive choice in Southern Africa, Portugal is desperately trying to be at least a soothing influence.

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# EUROPEAN NEWS

## Bank of Finland emerges as victor in markka battle

**Olli Virtanen in Helsinki explains the background behind the Bank of Finland's battle for the value of the markka – and why the war may not yet be over.**

THE Bank of Finland has emerged as the winner in the battle for the markka, but nobody is waving victory flags in Finland.

Fighting against devaluation speculation with high interest rates actually hurt practically all players. And, furthermore, the underlying problems that initially caused the turmoil are still there.

Speculation on the Finnish currency began at the end of July when a number of institutions decided that the markka's devaluation was imminent. Foreign banks and investors began to sell the currency, and they were joined by Finnish companies, which also hedged their positions to retain as little domestic currency as possible.

In the eyes of these institutions, Finland's economic situation after a spring of long strikes and in the face of declining trade with the Soviet Union, bleak prospects in the Western markets, declining industrial production and an overall slowdown in growth all smoothed the way to a devaluation.

In May, the Bank of Finland had already encountered a similar situation. Speculators thought the markka was also in the danger zone when Norway lowered the value of the krone by 15 per cent.

And, as Finland's foreign currency reserves kept dwindling, the central bank rewarded the speculators with a 2 per cent devaluation.

This time there was reputation and credibility on line. The Bank of Finland and the Finnish Government, which promptly came to defend the central bank's policy, could not possibly lose face again.

The Bank of Finland chose the interest rate weapon to counter the trend. Step by step it hoisted the call money rate, at which it lends to Finnish banks, from 11 per cent at the end of July to 25 per cent on August 5 and then to 40 per cent on August 7.

Meanwhile, the central bank's convertible foreign currency reserves had fallen from FM 9.7bn ($1.9bn) on July 23 to FM 6.7bn on August 8.

Surprisingly, the record high call money rate failed to halt the outflow of currency, a fact that clearly reflected the strong belief among many bankers and companies that a devaluation of about 5 per cent was still in the offing. Reserves dropped to a mere FM 3.9bn on August 15.

The trench warfare, as it was dubbed in Finland, gradually convinced observers that the central bank meant business. The outflow of currencies came to a halt but did not reverse.

Nevertheless, the market situation calmed, and consequently the Bank of Finland began to lower the call money rate.

First, the rate came down to 35 per cent on August 14, then gradually to 18 per cent last Tuesday, where it has remained. At the same time, the currency reserves increased to FM 6.2bn on August 22, the last available figure.

The immediate victims for the *high* rates were the country's biggest banks which had to pay dearly, a total of about FM 200m to date by some estimates, for their debt to the central bank.

The banks pass this on to new loans. And during the past few days one bank after another has announced it will also raise the interest on existing loans.

Finnish industry is now worried about the long-term effects of the high interest rates.

The Confederation of Finnish Industries predicts that together with the abolition of maximum mean lending rates – an unrelated move by the central bank which came into effect at the beginning of August – the overall level of interest rates will rise substantially and keep investment activity at very low levels in the foreseeable future.

Meanwhile, the Government forcasts GDP growth of only 1.5 per cent for this year after a constant 3 per cent increase during the past four years.

Industry's cost structure remains higher than in the main competitor countries, and there is no immediate surge to be expected in exports, either.

While the Bank of Finland may have won a battle in maintaining the value of the markka, the war may not yet be over.

# AMERICAN NEWS

**Tim Coone** predicts a crackdown on what has fast become a financial circus

## Argentina's money supply faces tighter controls

"AN ECONOMY Minister that can't control the Central Bank is like the circus master that can't control the lions," commented o Buenos Aires daily newspaper at the beginning of the week following the resignation of the president and board of Argentina's Central Bank last Friday.

The new president, Mr Jose Luis Machinea, in the first few days of bis new job (he was formerly Deputy Economy Minister) has left the audience in no doubt, however, that the llons will no longer be allowed to play bavoc with the money supply and that even the whole finoncial circus in Argentina cen expect to feel the sting of his whip if it fails to respond to the needs of the government's economic stretegy.

Speaking at the closure of the fourth convention of the Argentinian Private Banking Association (ADEBA), on Wednesday, Mr Machinee said that from now on "firm control will be taken of the monetary base" and that a long-promised change in Argentina's over-extended and speculative financiol system is also to be emharked upon.

*Mr Machinea's appointment*, backed by the team ha is bringing with him from the economy ministry brings to e close an extended period of conflicts over monetary policy and reform to the financial system within President Raul Alfonsin's Government between the economy ministry ond the Central Bank. Tbe conflict came to a bead earlier in the month when the July inflation figures were announced — 6.B per cent — wbicb exceeded all government projections and threatened the efforts of Mr Juan Sourouille, the Economy Minister, and his team of bright young tecbnocrats who bave drawn np and implemented the government'a econnmic stabilisation programme, the so-called Austral plan since June last year.

Tbe need to bring inflation hack under control, on wbicb the credibility of President Alfonsin's Government has largely rested for the past year, fnrced him to choose hetween old party allies or the only economic team that stands o chance of winning him the important mid-term elections next year on an anti-inflation platform. The technocrats, therefore won and are now running the key financial institution in the country. Mr Marcelo Kiguel is the only political appointee, hut is already an experienced economic manager within the Alfonsin Government.

Mr Machinea leaves no doubt where the blame for the inflation surge lies. "Rediscounts by the Central Bank over the past year are equivalent to 50 per cent of the total deposits in the banking system," he told the Adeba conference.

President Alfonsin (left) and Mr Juan Sourronille—at loggerheads over economic policy.

The principal reoson for the rediscounts have been to finance indebted state institutions, the banks themselves which have some 30 per cent of their loans classified aa "irregular" and the provincial governments *which* are *unable* to *gather* sufficient finance through local taxation to cover their expenditure.

The result has been o "quasi-fiscal" deficit, reflecting losses hy the Central Bank equivalent to 1.4 per cent of GDP in the first quarter of 1986, and a principal torget for the IMF which wants this reduced if it is to agree to further finance for Argentina.

It is no surprise therefore that Mr Machineo, who is expected to be one of tbe Argentinian negotiators witb the *IMF* for upcoming talks on a new standby agreement, sald that "It is now of paramount necessity to take strict control of the Central Bank rediscounts."

The provincial governments are a special prohlem for the central government, es many votes in the Senate and the Lower House of Deputies binge on the continuing finance by the provinciol banks (and via rediscounts by the Centrol Bank) of local government projects.

Mr Machinea's promise to put an end to this, is, therefore, a clear message to the regional governments tbat the gravy train is coming to a halt, whicb may be good fnr monetary policy, but is certain to create political problems for President Alfonsin on otber fronts.

The sweetener to the pill is the proposed reform of the financial system. As outlined by Mr Machinea, the reform will reduce the level of obligatory reserves held by the Central Bank from its present level of some 72 per cent of total deposits. This would allow the institutionalised banking system to take a greater role as a provider of credit and reduce the role of the non-institutionalised system which includes a thriving hlack market. This occounts for 20 per cent of the total credit availahle in the country, according to eatimates made hy Adeha.

This will be backed by "legislative and fiscal measures" said Mr Mechinea to hring under control what is euphemistically celled the "marginal financial market" and which is a principal source of highly speculative and potentially destahilising finence, attracted by high local interest retes and until recently a stable and overvalued exchange rate.

At tbe same time, the state controlled banks, which hold 60 per cent of the deposits in the banking system "are to be co-ordinated more with the central bank policy and made more competitive in the morket place" said Mr Machinea.

Cheaper and more efficient financial services are essential to the government's economic restructuring plans he said. "In the next century Argentina cannot continue to produce the same goods and services it bas been producing until now."

He was reluctant to talk of bank mergers, a sensitive issue for the private sectnr, which finds itself facing what it regards as unjust competition from the state banks, which handle government accounts, and hold lower levels of obligotory reserves from the private sector.

But it is widely recognised that mergers, branch closures and slaff loy-offs will be inevitable if the lnng-term goal of creating on efficient hanking system is to be achieved. At present a total of 190 banks with 4,373 hranches rompete for a total of Australcs 10,000m in deposits, over half of which—one might even say the lion's share—are taken by the 32 national and provincial hanks.

## Caracas Senate votes to repeal exchange law

**THE VENEZUELAN Senate voted to repeal the foreign exchange compensation fund law for private-sector deht payments—Fococam — passed by the full Congress less than two months ago, reports** Reuter from Carocas.

**If the Chamber of Depnties follows suit next week, Venezuela will have no general plan for repayment of its $6.9bn (£4.6bn) private sector foreign debt.**

**The Government's reversal on the Fococam law could prove an obstacle in next month's talks on rescheduling the country's $21.2bn public-sector debt, analysts said.**

**The Fococam plan became law on July 7.**

## Libya takes delivery of two Airbus-300s

LIBYA has taken delivery of two second hand Airbus-300 airliners, which were bougbt from British Caledonian Airlines through third parties in defiance of US sanctions, the US State Department said yesterday, **Reuter reports from Washington.**

Mr Charles Redman, a State Department spokesman said the sale of the aircraft had been barred under US export rules because they contained significant American components.

Washington was upset at the transaction chiefly because the civilian airliners could be used as troop carriers.

Mr Redman said that Libya – against which the US sanctions were imposed last January – managed to obtain the two aircraft from British Caledonian through third parties whom he was unable to identify.

Mr Redman said one of the aircraft went through Jordan and escaped last-minute efforts to stop it reaching Tripoli, which Washington has accused of backing terrorism.

He said Jordan has co-operated fully in the effort to stop the plan reaching Libya, hut British Caledonian had been unable to prove its original ownership to an Amman court, which then released it to Tripoli. Mr Redman was unable to give details on how the other Airbus reached Tripoli.

**Our Foreign Staff adds;** The two Airbuses are powered by US-manufactured engines.

The airliners had been sold by British Caledonian to Service Airlines of Hong Kong.

## Military court to try Peruvian general

**A PERUVIAN army general accused of involvement in the violent suppression of o goerrilla mutiny at o Lima prison is to be tried hy a military rather than a civilian court,** Reuter reports from Lima.

**A civilian judicial spokesman said that Gen Jorge Rabanal would stand trial in a military court in connection with the operation wbich cost 124 lives at the Lurigancho prison in June.**

**Gen Rabanal led the operation to quell the rebellion by accused Sendero Luminoso guerrillas. President Alan Garcia said at least 100 inmates were executed in what be called "a borrible crime" after they had surrendered.**

## US strategic oil stockpile to buy domestic crude

THE US GOVERNMENT is planning to give the country's hard-hite oil industry a chance to sell domestic crude to the notion's strategic petroleum reserve, writes AP from Washington.

The Energy Department said it had begun a process thot could lead within a month to calls for bids from domestic producers to supply as much as 35,000 barrels a day to the emergency stockpile.

The purchase of 35,000 harrels for the reserve — which has ohtained most of its crude from Mexico—would represent only a minute portion of the nation's daily production of about 8.6m barrels.

The policy shift could be a boon for small producers in places such as Texas and Oklahoma, where low-output wells have been rendered uneconomic hy the worldwide drop in oil prices.

"Today's decision . . . underscores this Administration's concern for our notional energy security and tbe need for a healthy US petrolcum industry," said Mr John Herrington, Energy Secretary.

"We believe tbat we can acquire domestic oil for energy security without sacrificing our budgetary responsibilities," he added.

Mr David Devane, an Energy Department spokesman, said the exact amount of domestic oil that could be purchased for the stockpile would depend on the prices US producers offered to the Government.

# A vision of growth in Southern Africa

by Dr Gerhard de Kock

## Extracts from Governor's address to South African Reserve Bank Stockholders on 26 August 1986

Dr Gerhard de Kock
Governor of the South African Reserve Bank

Any technical assessment of the present economic situation and prospects in South Africa must lead to the conclusion that in many important respects the scope now exists for a renewed cyclical upswing in the short term and a considerably higher real average rate of growth in the medium and long term.

- The current account of the balance of payments continues to show a large surplus. According to the latest revised figures, this surplus amounted to R5,9 billion in 1985 – the equivalent of 5 per cent of gross domestic product – and to an annual rate of R5,2 billion during the first half of 1986. For calendar 1986 a surplus of between R5 billion and R6 billion is expected.
- Between the end of 1984 ond 22 August 1986 the South African economy repaid nearly US$3 billion of its foreign debt, while its exports increased substantially. On any purely economic assessment South Africa's present foreign debt situation would be judged fundamentally sound.
- The rate of exchange of the commercial rand – at present equal to about 38 American cents – remains undervalued on a purchasing power parity basis. This should be conducive to increased domestic economic activity *via* export promotion and import substitution. Moreover, this potentially expansionary force has received fresh impetus from the recent increases in tha dollar prices of gold and platinum.
- The continued existence of unemployment and surplus production capacity suggests that the economy should be able to sustain a higher growth rate in the period ahead without the early emergence of sarious bottlenecks.
- Tha rate of inflation, although still too high, has receded from its peak levels, and should tend downwards in the months ahead.
- The stance of both monetary and fiscal policy remains expansionary. There is considerable scope for increases in the money supply and total demand. The Reserve Bank atands ready to add to the cash reserves and credit-creating ability of the banking system by providing accommodation through its discount window and in other forms.

And yet the scope for more rapid economic expansion is not being utilised to anything like its full potential. In a situation in which economics and politics are inextricably entwined, the required spark of business and consumer confidence is still missing. In technical economic terms, the "inducement to invest" and the "propensity to consume" are for tha time being inadequate to produce the desired upswing in the economy. After declining by 1 per cent in 1985, real gross domestic product is therefore not expected to increase by more than 1 to 2 per cent in 1986.

This stata of affairs has, of course, been exacerbated in recent montha by the intensified sanctions debate. It remains to be seen whether punitive trade sanctions will, in fact, be imposed against South Africa on a comprehensive scale. And even if they are, it is doubtful whether they can in practice be effectively applied.

What *is*, however, having an adverse impact on the South African economy is the *de facto* existence for more than a year now of *financial* "sanctions". These "sanctions" have resulted not from conscious decisions by governments or legislatures but from the deterioration over this period in overseas perceptions of South Africa's socio-political situation. Misinformed as foreign investors, bankers and businessmen undoubtedly are, they are clearly plagued by uncertainty and concern about the nature, extent and possible consequences of South Africa's domestic political problems. On balance, they have therefore been withdrawing capital and credits from South Africa for more than a year and a half now. Moreover, for political reasons, South Africa is not only denied normal access to credits from international financial institutions and central banks, but is also required to repay credits to the International Monetary Fund.

By force of circumstances South Africa has therefore become a capital-exporting country.

This politically induced pressure on the capital account of the balance of payments is affecting the South African economy more adversely than trade sanctions are likely to do. It implies soma combination of a weaker exchange rate, a higher level of interest rates, a higher inflation rate and o lower rate of economic growth *than would otherwise have prevailed.*

As long as the capital outflow continues, South Africa will have no choice but to run a large current account surplus. This is what we did in 1985, what we ara doing again in 1986 and what we shall continua to do in 1987. The fact that we have been able to produce this surplus through an effective monetary and fiscal strategy represants a notable adjustment performance. But it stands to reason that the need to maintain o sizeable current account surplus for any length of time must inevitably restrict South Africa's longer-term economic growth. Achieving a large current account surplus year after year, by whatever means, implies a transfer of real resources to the rest of the world. This, in turn, means fewer goods available in South Africa for public and private investment and consumption, and therafore a lower long-term growth rate.

*It is a matter of concern that the feeling of uncertainty* has spread to South Africa's own entrepreneurs and tha private sector in general. The large discount on the financial rand compared with the commercial rend (at present about 50 per cent) reflects the perceptions of overseas investors. But the continuation of the decline in real domestic fixed investment in plant, equipment and construction *reflects* the uncertainty of South African businessmen themselves.

This reluctance of the private sector to expand real fixed investment at o time when the cash flow of financial institutions is large and the stock exchange is booming, has understandably created frustration in official circles. Flowing from this, suggestions have been made that statutory and other measures be taken to *compel* insurance companies, pension funds, mining houses and other large economic groups to invest more in the desired job-creating directions. This is a matter that obviously calls for caution. While certain adjustments to taxation and financial legislation affecting these institutions might well be desirable for other reasons, attempts to *force* tham to invest in low-earning high-risk directiona could undermine their financial soundness and inflict harm on the economy.

Most private business and financial enterprises in South Africa ore neither unpatriotic nor everse to making profits through expanding their business. The reason why they are not risking their shareholders' or borrowed funds in the required new investment activity is basically their uncertainty about tha interrelated political and economic future of South Africa.

What is being done and what else can be done to eliminata the present apathy in the economy and to ensure more rapid economic expansion?

To begin with, there is in operation the short-term expansionary monetary and fiscal strategy described in this address. If necessary, furthar expansionary steps in this field will be taken.

In addition, the euthorities are proceeding with the actions they initiated some time ago to formulate and publish a broad *long-term* economic strategy for South Africe (not to be confused with a socialist "master plan"). This matter was referred by the State President to his Economic Advisory Council. It is tha intention that this strategy will deal with the official approach to such matters as "inward industrialisation", export promotion, import substitution, manpower issues, rurel development and the role of government in a market system in which private initiative and effective competition have important roles to play.

These short and long-term economic strategies are basic and essential. By themselves, however, they cannot provide an adequate solution to the present *difficulties. Unless* accompanied by action on other fronts, it is doubtful whether they can overcome tha harmful effects of the existing financial "sanctions" and prevent the irrational and emotional forces behind the present sanctions and disinvestment campaigns from transforming South Africa into some form of "siege economy".

Paradoxically, a siege economy might well confer benefits on some domestic industries by reducing foraign competition. But as the experience in other countries has shown, these advantages would ot best be limited and short-lived. A siege economy would inevitably tend to become a tightly regimented one subject to e maza of direct bureaucratic controls. This would limit the scope for private enterprise and effective competition to promote economic development and to reise standards of living. In the final analysis, tha combination of o continuous capital outflow and a siege economy would be bound to have adverse effects on economic growth and stability.

What disinvestment and sanctions will not do – ond on this issue there is much misunderstanding – ia to achieve the *political* objectives of their proponents. Anyone who understands the power relationships and other politicel realities in South Africa must know that, far from accelarating the process of political and constitutional reform, disinvestment and sanctions would be bound to retard it.

The further reality is that to the extent that the South African economy is harmed by disinvestment and trade sanctions, the entire Sub-Saharan Africa would be adversely affected. And, es many objective studies have shown, tha main sufferars would be Black South Africans and the other countries in the Southern African region.

All of this leads to the conclusion that, in addition to the implementation of appropriate short and long-term economic strategies, any formula for the restoration of confidence and prosperity in South and Southern Africa must include the continuation of the Government's programmes for maintaining law and order and for comprehensive further political and constitutional reform.

Far-reaching politicel reforms have already been brought about in South Africa in recent years. In view of the present close interrelationship between politics ond economics in South Africa, tha private sector has, I believe, acted correctly in encouraging the Government to proceed along this road. By the same token, tha Government now has every right to expect the private sector to show more confidence in the future by utilising to the full the scope presently existing in the economy for increased investment and output.

The key to success lies in the creation of a positive vision of economic expansion in not only the South *Africa of the future but also the entire Sub-Saharan Africa*. We must lift our gaze beyond the debate of the moment, so much of it distorted by emotion and unhalpful to the long-tarm future of the region.

The potantial for rapid economic growth and rising standards of living in this pert of the developing world is enormous. Those who care to address this question in o positive spirit will detect a prize eminently worth striving for.

Great strides could be made towards realising this potential if South Africa, the other states of Southern Africa, the major industrial countries and international financial institutions could co-ordinate their development strategies for this region and, at the same time, provide the necessary incentives for private sector participation. Such economic co-operation could unlock the riches of the region to an extent undreamed of and shape o more prosperous and collaborative future for all of its states.

There is so much to be gained by so many from economic co-operation of this kind that it deserves pride of place as an ideal for all who are genuinely interested in the welfare of Southern Africa.

A2566

# Soweto inquiry rejected as deaths reach 21

BY ANTHONY ROBINSON IN JOHANNESBURG

AS THE official death toll in this week's violent clashes over evictions in Soweto rose to 21 the speaker of the South African parliement yesterday rejected a call from the white opposition for an emergency debate and a commission of inquiry into the underlying causes of the fighting.

The official death toll, which shows 20 blacks shot dead by the security forces and ona black town councillor killed by rioters, makes Tuesday night's flare-up the bloodiest incident involving security forces since police fired on a funeral procession at Langa near Uitenhage in March 1985.

But the unofficial death toll is nearer 30 with over 200 people injured—on the basis of information collected by doctors treating casualties at hospitals and clinics in the area.

The unofficial death toll was released at a joint press conference held by the United Democratic Front (UDF), the Soweto Civic Association and the Cosatu trada union federation.

*The press conference called* for the resignation of black councillors, the scrapping of black local authorities, negotiations with representative unofficial community associations and the right to hold a mass funeral of victims without interference by the security forces.

In its statement, the congress of South African Trade Unions, the biggest union federation with over 500,000 members in a wide spread of industries including mining and transport, also called on employers "to take a stand against oppression and repression in the dormitory townships created to house their labour force."

Cosatu also called on employers to "use their clout to call for the scrapping of black local authorities

The UDF, whose publicity secretary, Mr Murpby Morobe, is on the run from police to avoid detention, presented the UDF document which called on the government "to accept that our people hava their own democratic organs which they recognise and accept as their only mouth-piece."

Failura to deal with them "can only lead to a repetition of the Soweto events," be warned, while calling on councillors and members of the Indian and coloured houses of parliament to resign "rather than continue as accomplices in the massacre of our people."

Meanwhile, in Pretoria, Mr Louis Le Grange, Minister for Law and Order, yesterday sub*mitted an undertaking to the* Supreme Court that no further police assaults would be carried out on Father Smangaliso Mkhatshwa, secretary-general of the Catholic Bisbops' Conference, who complained in a sworn affidavit of having being tortured while in detention.

Tba minister said be was making the undertaking "without admitting the allegations." Tbe judge ordered the minister to pay the costs of the proceedings so far

# South Korea edges towards political reform

BY STEVEN B. BUTLER IN SEOUL

IF THERE was one thing South Korea's opposition could always count on it was the government's political ineptitude. Raise a little protest and, predictably, the government would overreact. The international news media would come screaming from Tokyo telling tales of the "next Philippines," domestic protest would break into violence, the US State Department would issue sombre denunciations of buman rights violations and the government would beat an embarrassing retreat.

Never failed to work. Until last spring, that is. In recent months, the South Korean Government has surprised almost everyone by pulling some political "smarts" out of the closet and it has thrown the entire Korean political equation out of kilter.

*Instead of saying* "no, no, no" to populer demands for democratic reform, the Government is now saying "yes, yes, yes," and the sooner the better. It is not moving in the direction the opposition prefers, which would be for a direct popular election of the president.

Yet, for the first time in over six years since President Chun Doo-Hwan seized power in a military coup, his government appears to be taking the Korean people aeriously. It is now offering a programme of reform that opens the possibility of significant moves towards democracy and vastly improves thc chances of an orderly transfer of power in February 1988, when Mr Chun's term of office expires

The dual reshuffle of the cabinet and the leadership of the Ruling Democratic Justice Party (DJP) in recent days is part of the government's effort to appeal to the people by giving them a glimpse of what is to come if the DJP succeeds in its campaign to introduce a cabinet system of government, with a strong prime minister and a ceremonial president elected by the National Assembly.

The chairman of the ruling party, Mr Roh Tae-Woo, is now clearly tipped to be the DJP's candidate for prime minister and the likelihood that be will eventually assume that post improves almost daily. The opposition, by contrast, is still faction-ridden and it is unclear who would emerge as the single strong candidate for president—the main cboices being Mr Kim Young-Sam and Mr Kim Dae-Jung, the cbarismatic dissident who is still legally barred from politics in Korea.

The two Kims: Mr Kim Dae-Jung (left) and Mr Kim Young-Sam.

"There was a mistake in pursuing a tough-line policy towards the opposition earlier this year," says Mr Lee Jong-Ryool, a senior ruling party official. "We learned from our experience."

Mr Lee says the party became alarmed in the spring when its own private polls indicated that its popularity was plunging as the government pummelled the opposition with house arrest orders and bans on peaceful public assembly. Mr Lee says the DJP's popularity is once again picking up, and so is public acceptance of a cabinet system, although Mr Lee admits that most Koreans still favour direct election of the president, a system with which they are more familiar.

Winning over the people is indeed now a key element in the government's political strategy and is evidently what has prompted a sea change in the ruling party's public posture. The party bas entered talks with tha opposition in the National Assembly for constitutional revision and tough negotiations are expected this autumn. The DJP controls a simple majority in the Assembly, but lacks the two-thirds vote needed to initiate a constitutional amendment. That means it can proceed only by *compromise* with the opposition.

The main opposition party, the New Korea Democratic Party (NKDP), is still the strongest defender of the presidential system, but with its members now reduced below the one-third threshold of Assembly seats, it cannot block the amendment vote.

The government's chances of winning over the smaller, yet more moderate, Korea National Party appear much better, but this will depend heavily on the DJP's ability to convince individual opposition assemblymen that they will not be burt in their home constituencies by supporting the government proposal. The DJP will have to create a favourable climate of public opinion, and it will bave to offer some real concessions.

One concession will have to be on the Assembly electoral laws. The current system of single-vote, two-member districts, with the party receiving the most elected seats getting a large bonus, virtually guarantees a majority for the government. The government need only come in a distant second in most districts to guarantee an Assembly majority, a fairly easy task since there is more than one opposition party to split the vote.

Mr Lee, of the DJP, says the electoral system is open to negotiation.

The opposition appears to have been caught flat-footed. It is pressing forward with its campaign for direct election of the President, insisting the government must agree by the end of September. Many expect the opposition to try to take to the streets again to press its cause, but in the end even the NKDP may find itself pushed into a corner, forced to bargain for a fairer parliamentary system rather than a direct vote for president.

Indeed Mr Kim Young-Sam, who has emerged as the strongest leader in the NKDP, has never defended the merits of a presidential system, arguing instead that he supports it because the people do.

It is Mr Kim Dae-Jung, the brilliant orator and the government's most feared opponent, who will be the last barrier. If the government succeeds in installing a cabinet system it would likely spell the end of his political career. But with his immense personal magnetism and intensely loyal following, ha should not be counted ont just yet.

# Egypt seeks Israeli flexibility

BY TONY WALKER IN CAIRO

SOME indication of Israeli flexibility over Palestinian rights is the key element for the success of a proposed summit meeting between the Egyptian and Israeli leaders expected to be held in Alexandria in the second week of September, Egyptian officials believe.

They say that the summit could be jeopardised if Israel is intransigent on issues such as the participation of the Palestina Liberation Organisation or its proxies, in a proposed international conference on the Middle East, the withdrawal from territories occupied by Israel in the 1967 war, and on Palestinian self-determination.

President Hosni Mubarak of Egypt yesterday visited Amman for talks with King Hussein, their secood meeting in less than a month, on Middle East peace efforts.

AP reports: Foreign and Oil Ministers ot the six-nation Gulf Co-Operaion Council denounced Iran's air attacks on commercial ships and urged the world oil cartel to work for raising prices to between \$17 and \$19 a barrel at a two-day conference at the Sandi resort city of Abha.

# Tokyo may aid groups hit by rising yen

By Carla Rapoport in Tokyo

JAPAN IS considering the establishment of a Y12bn (£36m) "Economic Structural Adjustment Fund" for those companies and regions hit by the effects of the rising yen.

Earlier this year Japan established a Y3bn emergency loar programme for exporters hurt by the effects of the higher yen. This programme has been criticised outside Japan, however, for providing a prop to Japan's exporters and thereby belping to maintain Japan's *large trade surplus with the* West.

In explaining the proposed new fund, however, government officials said yesterday that the money will be available only to those companies which aim to switch out of the exporting business.

The fund bas been proposed by the Ministry of International Trade and Industry (Miti) as part of its budget submission for fiscal 1987.

According to Miti officials the fund would provide low-cost loans or fiscal incentives to *companies which switch* into either domestic-oriented businesses or projects which would help revitalise those areas depressed by the effects of the higb yen.

It would also provida compensatinon to those companies which scrap excess capacity or reduce its workforce.

The thrust of Miti's budget submission, which seeks Y743bn in total for 1987, is to support the recent Maekawa report, which calls on Japan to reduce its dependence on exports for growth and stimulate its domes*tic economy.*

## Taiwan reserves peak

Taiwan'a foreign exchange reserves, excluding gold, yasterday bit a record \$34.5bn (£23.3bn) compared with \$19bn in August 1985 Central Bank governor Chang Chi-cheng said Reuter reports.

Mr Chang attributed the increase to beavy intervention on the local interbank market by the central bank, which this month bought about \$2.5bn to help slow the fall of the dollar against the Taiwan currency unit.

## China bankruptcy law

China bas watered down its proposed bankruptcy law, the China Daily said, Reuter reports.

A provision saying a company with debts exceeding 60 per cent of its fixed assets will be declared bankrupt if it does not pay off the debts within a fixed time has been amended. The new provision says only that a company unable to pay its debts should be declared bankrupt.

## Malaysia charge

Tha former Chief Executive of the defunct Malaysian Overseas Investment Corporation has been charged with criminal breach of trust and freed on bail, the national news agency Bernama said yesterday, Reuter reports.

Mr Mohamed Abdullah Ang, who was extradited from Singapore last week, pleaded not guilty yesterday to the charge, involving ringitt 338,809 (£93,000). Trial was set for next January.

## Ganges row move

Nepal has offered to belp resolve a decades-old dispute between India and Bangladesh about the sharing of Ganges river water, officials said yesterday, Reuter reports.

Bangladesh accuses India of diverting most of the river's water. It claims this deprives Dhaka of its fair share.

## 'Arms for Iran' denied

China bas categorically denied allegations that it is selling arms to Iran, Tehran's official Islamic Republic news agency reported yesterday, AP reports.

# International aid arrives for Cameroon refugees

FOOD and medicine have reached refugees who fled the mountains of north-west Cameroon to escape a poisonous cloud of volcanic gases, AP reports from Yaoundé.

International relief supplies began arriving on Wednesday to help this tropical West African nation cope with the disaster that killed more than 1,500 people.

But one Western diplomat said the army, which has three US-built Hercules transport aircraft and a few smaller ones, was having difficulty dealing with the influx of supplies.

"It's a problem," said the diplomat. "This Government never faced anything on this scale before."

Officials said nearly all of the dead had been buried, most of them where they were found.

ISRAEL'S HIGH COMMAND

# Where old generals never fade away

BY ANDREW WHITLEY IN JERUSALEM

AN ACRIMONIOUS row over a bungled reshuffle in the Israeli Army's high command has highlighted a delicate, *usually unspoken* problem: the country has too many generals—and does not know wbat to do with them all.

The justification for the reshuffle was a need to strengthen the newly-formed Ground Forces Command.

But, in a controversy which went all tha way to Prime Minister Shimon Peres, the underlying reason was the "musical cbairs" of those jostling to replace General Mosbe Levy, the powerful Chief of Staff, when he is forced to retire next April.

Everyone knows Israel has a young army. Tbe youthful profile of its armed forces is a matter of public pride. But exactly bow young most Israeli generals are may come as a sbock to Westerners accustomed to reckoning that one must be at least 50, preferably 55, to become a brigadier.

"Typically, an officer will become a brigadier-general between the ages of 37 and 40," explains Brig-Gen. Ephraim Lapid, spokesman for the Israel Defence Forces. But, once there, be will not atay for long.

Ariel Sharon (top) and Rafael Eitan

Even before the current row, which bas focused on the fact that two of the major generals involved had been in their posts—one of them the key Sontbern Command—for only a few months, the turnover rate was known to be brutally rapid.

Typically, a brigadier in the Israeli Army or the other two services will serve for three, four or a maximum of six, years. Then, at the tender age of 43, he finds himself on the street, looking for a job in civilian life.

For obvious reasons, Israel has an exceptionally large standing army in proportion to its 3.5m population. Less obviously perbaps, it bas a top-heavy officer corps: five wars in less than 40 years, and a Jewish society which lays stress on merit and talent, makes for rapid promotion.

The result today is that, at any given time, tha IDF has about 120 generals on its active list: 100 brigadiers, 20 major-generals and one lieutenant-general, the chief of staff.

Between a quarter and a third will retire each year—a process Brigadier Lapid describes as "*natural selection,*" but which those forced out speak of more bitterly—swelling the ranks of the many bundreds of other generals already on the IDF'a reserve list.

What bappens to them? There they are, still in the prima of lifa, used sinca an early age to commanding large bodies of men and women, deploying resources on a larger scale than is possible anywhere else in Israeli society.

It's a problem the IDF acknowledges, but one which it says it can do little about if it is to maintain that determinedly youthful profile. Some go on retraining courses at the IDF's expense. But usually it is a question of a sympathetic handshake and a good-luck slap on the back.

Personal connections, the best introduction in such an intimate society—especially one in which everyone has served bis or ber time in the armed forces—may pave the way for a job in business. But good, interesting jobs of an appropriate seniority, and reward, are becoming fewer and fewer

Those who retired after the 1967 Six Day War were *lucky*. Reserve Gen Yeshayahu Gavisb was one of them. A war bero, he walked straight into a good job with Koor Industries, Israel's largest industrial conglomerate, of whicb be has been president since 1982.

It was tougher for those who came out of the services after the October 1973 war. But a place could always be found for exceptional individuals

In almost any sector of Israeli business life, a former general can be found. Brig-Gen. (Retd) Zvi Shur, the plain-spoken general manager of the Israel Diamond Manufacturers Association, is typical of the breed.

Most use their connections and expertise to end up in one form or another in tha country's large, and growing, military-industrial complex.

Other outlets for retired Israeli generals are hard to come by, though many, especially the famous top-rankers, go into politics.

The current Knesset (parliament) and the coalition National Unity Goevrnment are *stuffed with former generals*—from Rafael Eitan, the controversial Chief of Staff during the Lebanon War, now a right-wing Knesset member, to ministers Mordechai Gnr (Chief of Staff 1974-78), Ezer Weizman (former Air Force commander) and—the most divisive of them all—Ariel Sharon.

But, for those who cannot find a niche somewhere in civilian life at home, there is always the lucrative business of selling arms abroad

Old soldiers may eventually die in Israel. But, once they retire, they certainly do not fade away.

# WORLD TRADE NEWS

## GM and Suzuki plan C$500m assembly plant in Ontario

BY BERNARD SIMON IN TORONTO

GENERAL MOTORS of the US and Japan's Suzuki Motor Company are to build a C$500m (£250m) motor assembly plant in Ontario in the latest of a series of controversial investments by offshore motor manufacturers in Canada.

The GM-Suzuki plant, to be located near Ingersoll, roughly midway between Detroit and Toronto, will produce 120,000 small cars and 80,000 four-wheel drive utility vehicles a year when it reaches full capacity in 1991.

GM and Suzuki will receive up to C$112m in financial aid from the Canadian and Ontario Governments, including a C$45m loan, which will not be repayabla if certain production and Canadian-content criteria are met.

The plant will be the first in Canada involving a Far East motor manufacturer to comply with the terms of the 1965 US-Canada automotive trada agreement, whicb provides for duty-free access to the entire North American market for vehicles with a minimum Canadian content of 60 per cent. Most of the new plant'a production is, thus, expected to be exported to the US.

The venture is the largest of four new assembly facilities in Canada annonnced in the past 18 months by Asian motor manufacturers.

Toyota is building a 50,000-units-par-year plant near Cambridge, Ontario. Honda's C$100m facility north of Toronto, is dua to start production next year. The South Korean car-maker, Hyundai, is to invest C$300m in a plant naar Bromont, Quebec.

Despite high wage ratas in Canada, foreign investment bas been attracted by the weak Canadian dollar, Canada's generoos social security system, and by federal and provincial subsidies. Suzuki's president, Mr Osamn Suzuki, said tbat "it was our premise thet, in order to come to Canada, Government assistance was necessary."

The spata of new investments bas raised concern among Nortb American car-makers that supply will far outstrip demand for vehicles in the early 1990s. Non-North American companies are expected to account for about half Canadian motor production capacity by 1990.

## Japan's July car exports to Europe fall sharply

BY CARLA RAPOPORT IN TOKYO

JAPAN'S shipments of cars in Europe dropped sharply in July, indicating that voluntary efforts to restrain the growth of car exports to Europe may be taking effect.

Last June, the Ministry for International Trade and Industry (Miti) asked Japanese automakers to reduce their exports of cars to Europe because of the unusually rapid rate of increase in car exports. In cars, as well as various other products, EEC officials have accused the Japanese of targeting European markets because of sluggish sales in the US. This is the result, they say of the higher appreciation of the yen against the dollar, as opposed to most European currencies.

According to the Japanese Automobile Manufacturers Association (Jama), shipments of cars to Europe in July dropped to 19.8 per cent in unit terms, compared to the same month a year earlier. In June, shipments were up by 26.6 per cent and 54.1 per cent in May. In April, car shipments jumped by 69 per cent on a year-on-year basis.

"Restraints are not what we want, but we have to follow Miti's guidance," says Mr Shigeru Ohkoshi, an official of Jama yesterday. He said that Miti would like exports of cars to Europe to increase by only 10 per cent this year. As a result, Jama predicts that export growth will fall furthar as the year progresses.

At the same time, bowever, the number of Japanese cars which landed in Europe last month was sharply up on the year earlier figures. According to Ministry of Finance custom-cleared trade figures, exports of automobiles were up by 92.4 per cent in dollar terms in July. About 40 per cent of this increase can be attributed to the increased value of the yen against the dollar.

## Photocopier plant planned

MATSUSHITA ELECTRIC, the world's largest consumer electronic company, is planning to build a photocopier plant in Europe, probably in West Germany, Carla Rapoport reports.

The company said yesterday that its plans had been accelerated by the recent decision in Brussels to impose anti-dumping duties on Japanese photocopiers exported to tbe EEC. "We bad been thinking and planning to make copiers in West Germany for some time," said a Matsushita executive in Osaka yesterday. "This anti-dumping duty has speeded up an expected decision."

The company, one of Japan's smallest players in the European photocopier market, said it would announce details of the European investment in September. Matsushita currently exports about 2,000 copiers a month to EEC countries.

## Indonesian foreign investment falls 60%

FOREIGN investment in Indonesia fell by over 60 per cent in the first six months of this year as overseas investors reacted against high raw material costs, corruption and red tape, Reuter reports from Jakarta.

Mr Amien Warsita, depnty chairman of the Government's Investment Co-ordinating Board, said approved investment outside the oil seetor fell to $139.3m in the first six months of 1986 from $395.4m in the same period last year.

Last year, approved non-oil investment totalled $859m, down from $1.08bn in 1984 and a record $2.73bn in 1983, the board's figures show.

Mr Warsita said ha forsaw investment this year at less than the 1985 total, thongh be expected interest to increase in the second balf of the year as a result of the government'a May announcement of new incentives for overseas investors.

In July alone, the month in which new investment regulations were implemented, the board approved four new projects worth $311.2m.

## Soviet contract won by Babcock

BABCOCK International of the UK has won a $45m contract for its Italian subsidiary, FATA European Gronp, in the sonthern Soviet Union, Our Trade Staff reports.

The company is to build a packaging plant for foodstuffs in Timashevsk, near the eastern coast of the Black Sea, part of an agro-industrial complex designed to serve the tourist centres with everything from meat and vegetables to ice cream.

Babcock said the equipment wonld be manufactured in Italy by FATA and specialist sub-contractors. The civil works for the complex, called Kubanj, are being carried out by Yugoslav companies.

## Impresit to build Algiers complex

IMPRESIT, the civil engineering subsidiary of Italy's Fiat group, announced yesterday that it has won a L365bn (£139m) construction contract in Algeria, Alan Friedman reports from Milan.

The Impresit turnkey order, which calls for completion within three years, will see the construction of hotels, a library and a commercial centre in the capital, Algiers.

The contract, awarded directly by the Algerian Government, is one of the biggest overseas civil engineering projects won by an Italian company this year.

Under the terms, Impresit is to design and build a five-star botel with 370 rooms, a national library and a shopping ceotre with covered parking facilities.

William Dullforce explains how the Swiss succeeded where others failed

## Schindler gives Chinese business a lift

SCHINDLER, the Swiss lift manufacturer, does not deny that it has bad problems with its joint venture in China but Dr Uli Sigg, vice president in cbarge of the operation, is adamant that the benefits reaped bave outweighed both the troubles and the management time put in.

Against the current backdrop of crisis for joint ventures in China and waning interest among foreign investors Schindler can set an impressive six-year record. Back in 1979 the Swiss opted for a joint venture rather than the simpler alternative of sales, consulting and licensing agreements.

"We knew the risks were greater but so were our chances of beating the competition and realising a return on investment," Dr Sigg says.

China-Schindler Elevator Company is now the biggest lift supplier to the Chinese market. Last year it produced a third of the new lifts installed and its output growth has averaged 23 per cent a year since the start of the venture.

Financially, "our original $4m investment bas already returned to shareholders." Dr Sigg says. In local currency, China-Schindler's $16m or Yuan 23m initial investment bas genarated accumulated pre-tax earnings of Yuan 45m.

In the world competition stakes, Schindler bas gained prime access to the fastest growing lift market in the Far East. Otis of the US, its biggest rival, followed suit with its own joint venture but appears to bave got a worse deal and is trailing in market share. The Japanese competitors, Hitachi and Mitsubishi, have tried but so far failed to set up joint ventures and are continuing to sell directly.

On the debit side, China-Schindler bas not yet met its target of exporting 25 per cent of production and Schindler still has problems in getting the Chinese factories and sub-contractors to produce to the standards required for export markets.

Dr Sigg estimates that it will take another three years to complete the technology transfer and achieve full production in China of Schindler-designed lifts.

Schindler was the first Western company to negotiate a contract in China after the promulgation of the joint venture law in 1979. As pioneers, the Swiss enjoy some advantages: their 20-year contract provided for a three-year tax boliday and the 31.5 per cent tax on net profit they negotiated has been respected, although later tax legislation imposed a 33 per cent tax on joint ventures.

The Swiss were not high-handed. They took only a 25 per cent stake in China-Schindler, set up in July 1980 with the $16m capital, of which 15 per cent was subscribed by Scbindler Holding and 10 per cent by Jardine-Schindler of Hong Kong. The China Construction Machinery Corporation (CCMC) contributed two lift manufacturing plants, one in Peking, the other in Shanghai.

But the important ingredient, in Dr Sigg's view, was that the venture was based on genuine mutual advantage. Schindler wanted access to the Chinese market and a local manufacturing base for the Far East market: China wanted a lift-manufacturing industry with the latest technology for its domestic construction programme and with an export capacity.

In the West, companies going into joint ventures frequently discover after a while that one partner is deriving a disproportionately larger benefit. Tha venture may continue after legal adjustments and changes in participation. In China, the process of adjustment would run into enormous difficulties.

Dr Sigg advises a foreigner investing in a joint venture in China to ensure that a true balance of interests exists. It will not work if the investor calculates solely on his own advantage.

Ha atresses the importance, especially in the initial years, of the board of directors which, in China-Schindler's case, is very much a working board. It has eight members—two from Schindler, the chairman of CCMC, China-Schindler's general manager, representatives of Peking and Sbanghai municipalities and the two factory managers, one of wbom has now become the Communist Party secretary in the company.

The board functions "in a very Chinese way," discussing every major issue at great length. In the West, this would be dismissed as time-wasting bnt the Schindler men on the board have found that talking until everybody gets the picture clear and a consensus can be arrived at does lead to decisions about what should be done and who is to do it.

Dr Sigg makes the point: "Let the Chinese do things their way. They reach targets which yon could easily fail to meet with your methods and foreigners cannot often identify who is really important. The art is to define what the Chinese can do better, what you can do better and to agree who shall do what."

The choice of partner is nevertheless crucial. CCMC is a powerful organisation rooted in the bureaucracy and provides solid support for China-Schindler but, in Dr Sigg's diplomatic phrasing, "levels of competence in other partnerships can be very different."

Schindler has run into trouble with tax regulations from time to time and in interpreting the swelling body of lagislation on joint ventures. Too few Chinese officials, particularly in the tax office, are so far conversant with or capable of interpreting the new laws. China-Schindler employs Chinese legal and tax experts who are accepted as valid interlocutors by the authorities.

China-Schindler's two factories turned out 490 lifts in 1980. Last year they produced 1,180 containing a substantial amount of Schindler technology. Schindler micro-processor controls are now being made in China and the company has trained more than 150 Chinese at its Ebikon headquarters in Switzerland and some 50 in Hong Kong.

Nevertheless, the transfer of technology is behind schedule, the export target has not been realised and China-Schindler has yet to cross the psychological divide between producing for a seller's market in e still basically planned economy and manufacturing to the standards of an export market where the buyer has the upper hand.

Its biggest disappointment was when it lost to Mitsubishi the contract to supply lifts for the Bank of China's new building in Hong Kong. This at least proved that joint ventures do not enjoy preference abroad from China's own institutions but it elso showed, Dr Sigg acknowledges, that "we have to establish a good track record before e Chinese-manufactured product is accepted abroad. We have to fight prejudice."

Production costs and the pricing of exports remain a grey area. China-Schindler operates a bonus scheme wbich bas brought an enormous increase in productivity and can double workers' basic wages.

Many costs remain beyond China-Schindler's control, a fact that confers special importance on the "transfer price," the price paid to China-Schindler by Jardine-Schindler, the exporting unit.

The China-Schindler joint venture contract includes a formula determining the transfer price. Dr Sigg'a advice to new foreign investors is to make sure that their original contract is clear about the transfer price.

Schindler has bought for an undisclosed sum 10 per cent of Bharat Bijlee, Bombay, and has concluded a licensing agreement with the company, William Dullforce reports from Geneva.

Bharat Bijlee, with a production base in Bombay and sales offices in Calcutta, New Delhi and Madras, is the second largest supplier to the Indian market. Its lifts will be gradually equipped with Schindler technology and marketed under the name Olympus-Schindler.

The investment in India is the latest of a series of moves in which Schindler has been building np its presence in the Far East. Following its joint venture in China, Schindler moved into Australia four years ago and last year bought a 30 per cent holding in Nippon Elevator Industries of Japan.

## Israel to supply squadron of warplanes to US

BY ANDREW WHITLEY IN TEL AVIV

ISRAEL IS to provide the US with a second squadron of 13 Kfir supersonic fighter-bombers, the Defence Ministry in Tel Aviv has confirmed.

Details have not been disclosed, but the Israeli aircraft are expected to be leased to the US Marine Corps, which has been negotiating tha acqoisition of a squadron of Kfir for over a year.

A mainstay of the Israeli Air Force, the Kfir is regarded by the Pentagon as an ideal mock adversary aircraft, for use in training exercises, because of its similar characteristics to the Soviet Mig-21.

In 1984, the US Navy leased a squadron of 12 Kfirs from the Israeli Air Force for a three-year period. No charge was made for the aircraft, re-designated the F-21, but Israel Aircraft Industries, the manufacturer, was granted a $68.5m maintenance contract.

In what may well be a second big export deal, unconfirmed reports say IAI this week reached agreement with Cameroon, to provide the West African countries with 12 Kfirs and four "Arava" military transport aircraft at a total estimated cost of $70m.

Disclosure of the deal by Jane's Defence Weekly of the UK coincided with a visit to Cameroon by Mr Simon Peres, Prime Minister, accompanied by a large delegation of Israeli businessmen and officials. The visit marked the re-establishment of diplomatic relations between the two countries, broken after the 1973 Middle East war.

The Defence Ministry yesterday would neither confirm nor deny the sale. If correct, it would make Cameroon the third foreign country to operate the Kfir—a variant of the Frencb Mirage-III—after the US and Ecuador.

The two countries also agreed to study the establishment of a joint venture cocoa and coffee processing plant. Israel would probably import the plant's products directly, thus bypassing the international cartels involved in their marketing.

## Eureka joint venture deal

By Judith Maltz in Jerusalem

MR ALAIN MADELINE, the French Minister of Industry, bas told his Israeli counterpart, Mr Ariel Sharon, that Israel will be able to take part in Eureka—the pan-European research programme — through joint ventures with French companies.

The two ministars also agreed to make efforts to double bilateral trade, and increase industrial co-operation between the two countries.

France is Israel'a fourth largest export market, ranked behind the US, Great Britain and West Germany. Last year Israel exports to France totalled $263m while imports from France came to $305m. Israel mostly exports agricultural produce, processsed foodstuffs and textiles to France.

Mr Sharon told the Frencb Industry Minister that his government should step up its purchases from Israel to match some of the Israeli government purchases from France, which stood at $80m in 1985.

Mr Clayton Yeutter

## EEC to reopen US fertiliser dumping probe

By Tim Dickson in Brussels

THE European Commission is planning to re-open an anti-dumping investigation into imports of certain fertilisers from the US. Community manufacturers of the fertilisers in qnestion, which are made from urea and ammonium nitrate claim that the price of American imports have recently been well below those on the internal US market and that they are gaining an increasing share of Community sales. French prodocers, in particular, are understood to have been badly affected.

The latest Commission move follows a similar action in 1980 which in 1982 led to the imposition by tha Council of Ministers of definitive anti-dumping duties on three Amcrican companies. The European Court, however, overturned the decision.

● US speciality steel companies have asked the Reagan Administration to take retaliatory action against Sweden for its sharply increased shipments of what they say is subsidised steel tubing and stainless steel wire, Reuter reports from Washington.

The eight companies did not specify what action they wanted in a complaint filed with Mr Clayton Yeutter, the US Trade Representative. But if Sweden is found to have traded unfairly, Mr Yeutter could ask the Administration to impose quotas or tariffs on Swedisb exports.

## West Berlin suffers sharp fall in tourist numbers

BY LESLIE COLITT IN BERLIN

WEST BERLIN hotel managers are wringing their bands after a "disastrous" summer tourist season caused by a lethal combination of Chernobyl nuclear crisis, the terrorist attack earlier this year on West Berlin's La Belle discotheque, and the fall in the value of the dollar against the D-Mark. They also blame the fall in tourism revenue on price-cutting of hotel rooms in other European cities.

Occupancy in West Berlin's botels fell by some 35 per cent in June, July and August, compared with last year, the German city's best year for tourism. The number of US tourists fell 31 per cent—Americans make up one-sixth of all foreign visitors to Berlin.

Mr Jean K. van Daalen, general manager of the Steigenberger Hotel, said that more alarming than the absence of the Americans was the lack of West German visitors to the city, as they make up 80 per cent of botel guests.

One reason for the dearth of West Germans, ba suggested, was that the city bad failed to organise enough attractiva special events during the summer months. City officials claim that many potential visitors put off trips to West Berlin this year in order to attend next year's celebrations for the 750th anniversary of Berlin's founding.

Mr van Daalen and other Berlin botel managers claimed that a number of other cities—especially London, Paris, Rome and Munich—which were also hard hit by the drop in tourists, had slashed their hotel rates. This had lured West Germans to visit these cities, instead of West Berlin.

West Berlin is lavishly subsidising tha restoration of hundreds of apartment and office buildings in the vicinity of Kurfuerstendamm Boulevard for the anniversay, and has spent tens of millions of D-Marks on urban face-lifting. In doing so, it is in direct competition with East Berlin, which will also celebrate the anniversary and which contains the heart of pre-war Berlin.

## Venezuela to barter iron ore with Caterpillar

BY JOE MANN IN CARACAS

THE VENEZUELAN Government'a iron-ore mining company Ferrominera Orinoco, has negotiated a countertrade deal with Caterpillar World Trading Corporation of the US under which Ferrominera will barter 350,000 tonnes of iron ore for beavy Caterpillar equipment and parts. Tha iron ore will eventually be traded to Romania.

The estimated cash value of the deal was not disclosed. General Electric of the US is also involved in the operation since Caterpillar works here as a joint venture with GE. This is Ferrominera's third countertrade agreement within a year.

The first was an iron ore-for-equipment deal last year covering 55,000 tonnes of ore and two large Caterpillar tractors. The other was a deal under which Venezuela bartered iron ore for 18 Polish-made aircraft used for crop dusting.

Ferrominera, part of the government-owned Venezuelan Guayana Corporation, an industrial group made up of steel, iron ore, aluminium, alumina, electric power and other companies, is actively seeking other potential countertrade deals.

In the past, Venezuela ignored countertrade since it always bad enough cash or credit to pay for whatever it wanted to buy overseas. Now, bowever, with the recent collapse in international oil pricea, this petroleum-exporting republic is looking into countertrade and other methods for saving foreign exchange.

# THE PROPERTY MARKET

BY WILLIAM COCHRANE

LONDON OFFICES

## Prospects for Holborn

HOLBORN is a sort of buffer state in central London between the more clearly defined markets of the City, and of the West End. It lacks credibility among property developers although it has a clear attraction for professional and financial occupiers, in its existing state, and offers major scope for redevelopment in extending the City of London to the west.

This is tha contention of agents Allsop and Co (City) whose associate Anthony Priggen has just produced the firm's first published study of the Holborn office market. They turn the buffer state argument around, saying that Holborn is so well located on the City/West End axis that the area is attracting many more professional firms to service the new conglomerates resulting from the "Big Bang."

Data for the survey, for which Allsop credit David Cadman of Property Market Analysis and Applied Property Research, run by Geoff Marsh, is based on a segment stock comprising some 81 buildings in Holborn with a total area of nearly 3m sq ft.

Allsop say that 77 per cent of this space is in buildings constructed prior to 1945, all of which have been refurbished to varying degrees. So the scope for redevelopment exists; for the record, the City of London is thought to be ill-served with 61 per cent of those employed there occupying pre-1959 buildings.

After the scope, the conditions. The firm says that the overall area is dominated by professional firms which make up 31 per cent of the occupiers with solicitors accounting for 15 per cent and accountants 5 per cent. Other service companies account for 24 per cent with shipping, travel agencies/tourism and employment agencies responsible for almost half of that.

The survey takes in the Fleet Street area so publishing, advertising and marketing comes in for 13 per cent of the total—one point less than the 14 per cent taken by financial occupiers, including insurance companies, reflecting the City's expansion in search of more modern accommodation.

However, the researchers have also looked at floor space let in the segment buildings over the 16 months to March 1986. In this, professional firms have moved up to 40 per cent of the space uptake, and financial occupiers to just under 26 per cent. Advertising, marketing and publishing are down to 2½ per cent in this sample, which has much more of a City of London look about it.

Allsop say that you can pay rents as low at £8.38 a sq ft in Holborn and as high as £22—both, incidentally, in the subsector which they call Chancery, bounded by Holborn and High Holborn to the north, Kingsway to the west, Fetter Lane to tha east, end Fleet Street/Aldwych to the south.

The survey says that at mid-May of this year there were 39 development schemes, providing over 1½m square feet of net offica accommodation, in the pipeline for tha area. New buildings dominate the development picture, accounting for almost 50 per cent of the schemes and just under two-thirds of the floor space.

Within the pipeline there was some 336,000 square feet under construction, over 600,000 square feet with planning permission and over 500,000 square feet the subject of outstanding planning applications.

But this could be only a foretaste of what is to come. The development pipeline is dominated by two large achemes, each of 250,000 square feet plus, says the survey—the redevolpment of the Daily Telegraph building in Fleet Street, and that of the City of London schools site in John Carpenter Street nearby.

What Allsop term the "Fleet" aree — the slice of territory closest to the City of London, virtually all of it actually within the rating boundaries of the City Corporation — accounts for 63.5 per cent of the development total. When the newspaper industry's move to docklands and elsewhere is in full swing, it is likely to be even more important.

## Hedging boost for Slough Estates

THE £2m currency profit which helped Slough Estales this week to reported profits of £24.2m pre-tax for the first half of 1986—against £19.9m, itself boosted by a £1.1m surplus on the Stock Conversion investment in 1985—resulted from e hedging operation against the US dollar.

Group vice chairman Graeme Elliot said yesterday that without hedging operations, which many UK companies are conducting, UK company assets and earnings expressed in dollars would have shown losses after the decline of the currency this year.

Slough will be capitalising interest on UK development land in future; and annual valuations in the UK will be conducted by Richard Ellis and Hillier Parker who will each value a portion of the portfolio.

Mr Elliot says that the first change reflects the increasing UK development portfolio: "we never had a significant amount to capitalise until this year;" and the second change, be says, is a response to excessive valuation fees in the past.

● *Continuing* its policy of purchasing investment and development properties in strategic locations around the M25, Great Portland Estates has acquired the freebold interest of the 53,640 sq ft Geco office centre in Orpington, Kent, let to the Geophysical Company of Norway at £376,000 a year, for £3.86m cash.

● A sharp improvement in trading profitability and the absence of £1¼m of exceptional debits leaves Rohan, the Irish property and construction group, with pre-tax profits of IR£871,000 for the first half of 1986 against losses of IR£1.21m in the corresponding period of last year.

The improvement in trading profitability is expected to continue in the second half and the group notes that the sale of a 135,000 sq ft high-tech joint venture in Simi Valley, California, means that a previous contingent liability for loss obligations in California joint venture projects now no longer exists.

● This week Komori Currency Technology, banknote engravers and designers and manufacturers of high security printing machinery paid Steel Brothers £2m plus for Sondes Place, 10,500 sq ft of offices together with 8 acres of parkland and Woodland, in Dorking, Surrey.

Montagu Evans acted for Steel Brothers, King and Co for Komori. Planning permission exists for an office or high tech extension totalling 20,000 sq ft.

INTERNATIONAL OFFICES

## London tops the charts

FROM HOUSTON, the real estate service group called The Office Network earlier this year upgraded its US office market report to cover, in addition, Canada, Austria, the UK, the Netherlands and West Germany.

Muller International, real estate agents covering five cities in West Germany as well as Vienna, Amsterdam and London, recently became the first European member of the Network, which it describes as an affiliation of real estate brokers.

The Network's latest survey evaluates more than 49,000 buildings in 36 markets and the differences between the Western European and North American markets are still striking enough to give the authors pause.

"While Western Europe accounts for most of the buildings surveyed," they say, "its buildings average 16,000 sq ft in size. By comparison, US buildings average 115,000 sq ft and Canadian buildings average 150,000 sq ft."

America has big buildings, and big voids. "Completed construction added to the existing markets and slower absorbtion rates have combined to raise the US average vacancy rate to 18.3 per cent at mid-year 1986," says the report. "At the end of 1985 the rate was 16.9 per cent."

"More than 266m sq ft are currently available to lease in the US markets surveyed for this report," it adds.

In Caneda, the vacancy rete has declined to a current 11 per cent compared to 13.8 per cent six months ago, and the European rate from 4.8 to 3.9 per cent for the same period.

The US has experienced an unprecedented capital-driven surge of development during the 1980s and, says the report, its vacancy ratea can be expected to continue to edge upwards as construction is completed and added to the existing market.

Broadly based, the survey also covers construction, absorbtion, rental rates and major relocations. Europe's total new construction includes 140 buildings representing 7.6m sq ft and, within that, London's 3.3m sq ft make it European leader. The five West German cities have 3.8m sq ft between them.

London is also the top city, anywhere, in terms of space absorption. It maintained top place for the second year running, says the survey, with a take-up of 7.7m sq ft—ahead of Washington DC with 5.5m sq ft, and Los Angeles and Boston with 3.5m and 3.0m sq ft respectively.

That London takes top billing in another area; rents and other occupation costs, is no surprise. What is more illuminating is the comparison between general, and particular pictures in the US markets.

"Those markets still hit by the office glut are seeing owners offer significant discounts on rental rates in an effort to fill their properties," says the report.

However, the authors say that some north-eastern US cities are enjoying renewed office demand. "This reversal of earlier trends favouring Sunbelt cities," it says, "enables building owners to be much firmer in setting and negotiating rates."

Reports like these should bring some satisfaction to Kurt Kilstock, chief executive of London and Leeds, Ladbroke's US property operation, who has held to traditional locations like New York and Washington DC while a plethora of later entrants to the US market took the Sunbelt route with much heraldry.

Interlinked with this, perhaps, is the analysis of major moves. During the past 12 months, says the report, 162 major moves (100,000 sq ft or more) or commitmants to them occured in the surveyed markets. These moves represented almost 40m sq ft of space.

In the US, 57 per cent of the moves were to or within the central business district of a city. "Question," says the report, "could this mark the beginning of a trend for major companies to remain or move to the CBD when selecting a new location?"

# Satellite TV project draws new investors

BY RAYMOND SNODDY

BRITAIN'S hopes of creating three new channels of national television through DBS (direct broadcasting by satellite) have received a large boost. Significant new players have come forward who are prepared to invest in the high-risk venture.

When applications for the Independent Broadcasting Authority (IBA) franchise close at noon today, they will reveal large financial, consumer and retail groups not previously publicly identified as potential DBS investors.

They include Mr Alan Sugar's Amstrad Consumer Electronics, Dixons, the retail group, Columbia Pictures of the US, Robert Fleming, the merchant bank with £17bn in funds under management, and Hambros Bank.

The DBS project, which involves the broadcasting of television channels from a high-power satellite to small dish aerials on individual homes, could cost as much as £300m.

Mr Sugar, whose reputation is based on making quality consumer electronics available at a low price, has joined the consortium led by the Granada Group as an equity investor.

Mr Sugar said yesterday, "Satellite television is made for the British consumer." He also wants to produce the receiving equipment at a price which can be easily afforded "by the truck driver and his wife."

The other members of the Granada consortium are Virgin, Pearson, publishers of the Financial Times, and Anglia. The group plans to merge four channels into the three-channel franchise: Now, a channel of news, sport and live events; Screen, a film channel; the Disney Channel from the US, and Galaxy, general entertainment. The film channel would be by subscription, the others advertising-based.

Mr Michael Green's Carlton Communications has also put together an unexpectedly strong consortium called DBS UK. There are seven equity members. Dixons, Columbia, Hambros and Robert Fleming have joined Carlton, London Weekend Television and Saatchi & Saatchi.

The consortium plans to offer three "free" channels supported hy advertising.

The first channel would provide a service of news, business and sport and would make specific efforts to serve the business community and young professionals.

The second channel would offer a series of alternative entertainments. These would range from children's programmes at breakfast time to programmes for young urban adults in the evening.

The third channel would be offered to SuperChannel, the satellite channel being produced for Europe by the ITV companies.

The other DBS applicants will be Mr James Lee's National Broadcasting Service backed by Mr Robert Holmes à Court, Mr John Jackson's DBL, supported by Ferranti and Sat UK, a company set up by Mr Jimmy Hartley, a media consultant, and Mr Muir Sutherland, former director of programmes at Thames Television.

The IBA intend to announce the winner of the 15-year franchise in October and hopes DBS service can begin in late 1989.

# Flint deal by Boots wins backing

By Lionel Barber

BOOTS, the UK retail chemist and drug manufacturer, yesterday won the backing of shareholders for its ambitious £400m acquisition of Flint Laboratories, the US pharmaceutical manufacturer put up for sale by its parent, Baxter Travenol Laboratories.

A clear majority of about 250 shareholders voted on a show of hands for the US purchase at n meeting in London. But a sizable minority, several of whom have held Boots shares for more than 25 years, voted against the deal, saying they were unhappy about the high price and risks involved.

Mr Robert Gunn, Boots chairman, said after the meeting that proxy votes had been overwhelmingly in favour of the Flint takeover. He declined to reveal the level of support but confirmed that a large number of institutional shareholders had abstained. He described this as normal.

Boots, seen as a bid target in recent months, has spent the last four weeks defending the purchase of Flint. According to Boots management, Flint has a top-class drug, Synthroid, to treat thyroid hormone deficiency, and a sales force which will eventually remove its dependence on licensees in the US, the largest drugs market in the world.

Small shareholders were far from convinced yesterday. For almost an hour they questioned, Mr Gunn, a Scot who found himself, perhaps for the first time in his life, accused of being n spendthrift.

Mr Gunn was reminded by one shareholder that Boots was an English firm from Nottingham, "a noble place." Was the company not taking a huge risk in buying Flint, was it aware that the US was not only the largest drugs market in the world but also the largest litigation market?.

Mr Gunn assured shareholders that it had long experience of US litigation. It employed some very fine US law firms, each one equipped for the specific task. "This acquisition is certainly not regarded as pure risk," he declared.

Towards the end of the meeting, several small shareholders rallied behind Mr Gunn, arguing that the Flint purchase was a strategic acquisition which established Boots in the US.

Mr Wilson, a retired manager, said several major UK companies had recently announced US acquisitions running into several hundred million pounds. One was by ICI; the other was this week's £207m agreed acquisition by the Sedgwick Group, Britain's largest insurance broker, of the Crump Companies, the eighth largest US insurance broking group.

"Boots is going to look very, very poor if it does not make this acquisition," Mr Wilson declared

# Greycoat fails with £109m takeover bid for Property Holding

BY CHARLES BATCHELOR

GREYCOAT GROUP, the property development company which has expanded rapidly through a series af acquisitions, received a setback to its growth plans yesterday with the failure of its £109m takeover bid for Property Holding & Investment Trust.

Greycoat won support from the owners of just 25 per cent of Property Holding's shares. The figure includes the 1.26 per cent stake it already owned when the bid was launched on July 11.

The contest was between an aggressive developer and trader in properties – Greycoat – and a more traditional investor in properties – Property Holdings – which makes most of its profits from rental income.

Greycoat's aim was to obtain the backing of Property Holding's assets, permitting Greycoat to take a larger part in the financing of property deals and thus a larger share of the profits. Unlike Property Holdings, Greycoat has only a small stake in many of its property developments.

Mr Geoffrey Wilson, Greycoat's chairman, said: "We offered a price we thought was right but the market didn't think it was sufficient. 1 have to accept that outcome."

Mr Wilson said this was the first time Greycoat had failed in n takeover bid in the eight years he had been at the company, and first time be had not succeeded personally in the 12 takeovers he had been involved in in his 26 years in the property business.

Greycoat had now decided to expand by methods other than acquisition, he said. "I don't want to leave the market in limbo as to wbether we might make an offer for another company next week."

Greycoat's shares were unchanged at 250p yesterday while Property Holding rose 2p to 130p.

# Relocation hitch for Daily Mail group

BY RAYMOND SNODDY

ASSOCIATED newspapers, publisher of the Daily Mail, has had to give way to the Customs and Excise in its search for a new corporate beadquarters.

The newspaper group, which wanted to take over more than 200,000 sq ft of Sea Containers House on tha south bank of the River Thames in London, believes it has been outbid hy the Government estate agent, tha Property Services Agency.

Lord Rothermere, chairman of Associated, is said to be angry that Associated should be outbid by the PSA and the public purse for such prime accommodation.

Associated apparently signed heads of agreement with Mr James Sherwood's Sea Containers to lease about one third of the building for a new editorial and commercial headquarters. The move was expected to fit in with Associated's plans to print its national titles in future at a new plant in London docklands.

The PSA, which has offered more than Associated – the figure is said to be £18 a square ft – confirmed yesterday that it was in discussions with Sea Containers to buy part of its headquarters, but said no final agreement had been signed.

# Poll puts Tories and Labour neck-and-neck

BY JOHN HUNT

THE CONSERVATIVES are now running neck-and-neck with Labour according to a Mori public opinion poll published in yesterday's London Standard, newspaper.

The poll puts Labour and Conservatives at 37 per cent – the first time this year that Labour has lost its lead over the Tories. It puts the Social Democratic Party (SPD)-Liberal alliance at 24 per cent.

The findings were, however, being greeted with scepticism by Labour and the Alliance. The result is out of step with other recent polls which give Labour a substantial lead and show the SPD and the Liberals doing well.

The poll was conducted between August 15 and 19 when many voters were away on holiday and this could have affected the result. Nevertheless, it will be seized on by the Tories as a much needed boost to their morale in the run-up to their annual party conference in October.

There is, however, not much comfort for Tories in the personal rating of Mrs Margaret Thatcher, the party's leader. This has dropped from 30 per cent in July to 27 per cent in August and is now close to a record low for her personal standing recorded in 1981.

Unemployment continues to top the list of the most important issues with the electorate at 80 per ceot. Mare people believe the economy will get worse rather than better – 40 per cent compared with 35 per cent in July.

One curious factor is that the regional breakdown in the poll shows the Tories picking up support in the North of England and in the Midlands at the expense of Labour.

# Exchange loses its only black jobber

By Clive Wolman

MR DAVID ADELEKE was one of the City of London's tourist attractions. Sightseers would reach for their cameras when they spotted him at work. The reason was that 23-year-old Mr Adeleke was the only black to be working on the floor of the stock exchange. Tall, broad-shouldered and statiooed on one of the central pitches an the exchange, Adeleke was the most conspicious jobber on the floor and easily spotted from the visitors' gallery.

But this week Mr Adeleke gave up his job as a dealer in insurance stocks for Barclays de Zoete Wedd (BZW), the securities arm of Barclays Bank. He claims that he has been constructively dismissed and is threatening to take his ex-employers to an industrial tribunal.

He claimed that an "anti-intellectual and short-sighted" group was influencing the day-to-day management at Wedd. "They play by their own rules," he said. They were less liberal in their attitude towards racial integration than the former partners of the jobbing firm, Wedd Durlacher Mordaunt, who have taken more of a back-seat role since Barclays built up a stake in the firm in 1984.

Mr Adeleke, who was born in South London of Nigerian and Caribbean parents and took a degree in sociology in the US, certainly faced some forms of racial prejudice. A colleague of his once told a reporter that Mr Adeleke was on the exchange floor only "as a token coon."

Mr Adeleke claims that his performance during the four months be was a dealer was "admirable" and that his pitch had made a reasonable profit in that time. He said he had had nine or 10 other job offers which would allow him to become a dealer again.

He left the firm on Tuesday after being told that he would be demoted to the status of "a blue-button", a trainee jobber who serves as a messenger boy. Mr Adeleke worked as a trainee at the firm for two years before becoming a dealer with a salary of £15,000 a year plus bonuses.

Normally, dealers who fail to make the grade at Wedd are offered back-room jobs in the settlements department or are assisted in finding work in brokerage firms. But Mr Adeleke says be was not.

Mr John David-Jones, a manager of BZW's jobbing operations, said yesterday that he was too busy to answer questions about Mr Adeleke. However, a spokesman for BZW said yesterday: "He (Adeleke) was an employee who did not display the attributes required. We do not take any note of whether our dealers are black, Irish or Welsh."

# TUC dismisses 'plot' to remove Willis

BY PHILIP BASSETT, LABOUR EDITOR

MR NORMAN WILLIS, general secretary of the Trades Union Congress (TUC), yesterday broke silence on reports that efforts are being made within the union movement to remove him from his post.

Overtures were recently made to some union leaders suggesting that because of what was claimed to be his poor performance, efforts should be made either to remove Mr Willis in advance of next week's TUC Congress in Brighton, or failing that, depending on his performance at the congress, union leaders should mount a deputation to ask him to consider his position.

But yesterday, without taking a vote, the TUC general council firmly endorsed Mr Willis' leadership of the TUC. Mr Willis said he was "very happy" with the outcome.

The so-called plot against Mr Willis was raised at the start of the general council meeting by Mr Mick McGahey, vice-president of the NUM miners' union.

His dismissal of the "plot" as an irre levance was echoed by the leaders of a number of other unions. Mr Ron Todd, general secretary of the TGWU transport workers, urged the general council not to carry a vote of confidence on Mr Willis, since – in line with a similar move some years ago in the Labour Party over Mr Michael Foot's leadership – such a move would be likely to be construed by outsiders as marking the exact opposite.

Union leaders described the mood of the 10-minute discussion as "angry." Mr Willis said that the general council had been "very dismissive" of the idea of a move to oust him. He said that there was a general feeling that the TUC had tackled well over the last year a number of difficult prohlems, and was now in a good state of health.

# Fresh bid to solve Shorts row

By Our Belfast Correspondent

FURTHER TALKS are to be held between the Democratic Unionist Party (DUP) and Sir Philip Foreman, chairman of Shorts, the Belfast aircraft makers, in a bid to resolve the dispute nt the factory over the flying of flags and political emblems.

The 1,000 Protestant workers who walked out on Wednesday in protest against a management ban on flags returned yesterday although there was no sign the issues would be settled quickly. A meeting between the DUP and Sir Philip may take place today.

Shorts would not say if progress had been made in implementing the flags ban.

The proposals put to Sir Philip by the DUP were not made public but were thought to include a request that Shorts allow the British flag to be flown on the factory throughout the year in return for the removal of some loyalist emblems from the factory floor.

Mr Peter Robinson, the East Belfast MP who represented protesting workers at the talks, said the walkout was caused hy a supervisor who told workers to remove flags and bunting from a particular section of the plant or that department would be closed and the work done outside the company.

Sir Philip has told Mr Robinson that if such a threat were made the supervisor was in no way acting on behalf of the management.

Meanwhile, Mr Brian Feeney, a moderate Catholic politician who has been briefed by Catholic workers who feel they are being intimidated inside the factory, said the walkout had been carried out at the behest of "bully boys."

He said the action had taken place without the consent of the trade union and was serious for Shorts from an international point of view.

# End to 'safe havens' for terrorists urged

BY LYNTON McLAIN

INTERNATIONAL terrorism was the single most onportant issue facing civil aviation, Mr Rodney Wallis, the director of facilitation and security at the International Air Transport Association (Iata), said in London yesterday.

Airport and airline defences had had to change to meet the threat of air piracy and sabotage. The defences had had to recognise the evolution of terrorist cells, the change in emphasis to sabotage using hard-to-detect devices and the existence of many groups of people prepared to die as martyrs for a cause, Mr Wallis told the Financial Times conference on World Aerospace.

"Hijacking of a political nature could be ended today if all governments adhered to the terms and conditions of the three relevant security conventions, the Tokyo, the Hague and the Montreal conventions," he said.

Some signatories to the conventions disputed their application to their countries, ha said. Disregard by states which had signed and ratified these conventions constituted direct encouragement of further terrorist incidents.

"Honest application by all states would eliminate the safe havens currently open to the terrorists. Without these refuges, we believe much of their motivation would disappear," Mr Wallis said.

Iata had revised its system of points against which it measured security standards at international airports. "These now cover weaknesses inherent in the ramp areas of airports – we consider the ramp to be the soft underbelly of the industry – as well as the threat from the baggage bomber," he told delegates.

Dr Julius Maldutis, vice president of Salomon Brothers in the US, said that deregulation had finished in the US airline industry.

"The merger movement in the US airline industry is almost over or will be shortly," he said. Mergers or consolidations in the industry were now virtually complete and almost all the newly spawned carriers had either failed or merged. "Look at the financial agooy of People Express as it struggles for survival."

At the same time, the barriers to entry into the industry have become "almost prohibitive." In the US, air transport had become mass transportation and inter-city bus companies could no longer compete and were withdrawing from the business.

Low fares were here to stay, he said. "Wa shall shortly see the introduction of non-refundahle airline tickets." He added: "On certain flights, on certain days during certain months, you will be offered an opportunity far in advance to purchase a deeply discounted airline ticket. The cashflow and profit generation will be staggering."

Dr Maldutis described 1985 as an outstanding year for world aviation but gave a warning that the current year would be difficult.

Last year 891m passengers were carried by world airlines, a rise of 8 per cent over 1984. The airlines generated $112bn in operating revenues, $4bn in operating profit and $1.6bn in net profit, "a margin of only 1.4 per cent," he said.

"The common denominator among the airlines last year was the inability to control the price of the product they offered.

"All the benefits of lower fuel prices have been dissipated in the form of lower fares. Thus, the bureaucrats and policymakers are absolutely correct in saying that deregulation has been a great success," he said. "But the profit the financial community considers the ultimate scorecard has been poor. In the first half of this year, US scheduled airlines made a collective loss of $765m."

The US airline industry had experienced "an unprecedented merger movement, but mergers may now be much more difficult because the US Department of Transportation will relinquish its merger approval powers to the US Department of Justice on October 1," he said.

The Justice Department had strenuously objected to almost all the mergers, with the exception of the failing carriers and those in poor financial condition.

Dr Maldutis seriously doubted predictions in the US that the country would end up with four or five "megacarriers." He thought there would he nine or 10 large airlines – as the smaller airlines, especially the commuter airlines, "rapidly vanished as independent entities."

Some 40 commuter airlines "disappeared" last year not through merger or bankruptcy but through amalgamation by the larger companies. The commuter airlines lost their corporate identities.

Dr Renato Bonifacio, chairman and chief executive of Aeritalia, the Italian aerospace company, also said thare was a trend towards the acquisition of commuter airlines by major domestic and international carriers.

He questioned whether the trend was started by the desire to control commuter traffic ar by the need to reorganise domestic routes. Whatever the cause, the trend was growing in the US with American Airlines and Pan Am as examples and in Europe with Finnair, Alitalia and Air France, be said.

Mr Aner Sharif, Director General of the Arah Air Carriers Organisation, said that by the and of the century many developing countries would have the present standard af living of West Europeans.

"This means thet the developing countries, with their millions of inhabitants, will require a proportional size af aviation services as in the West. They will be the higgest market for aircraft sales and some will probably wish to participate in manufacture."

He said that commercial nviation and the Olympic Games were at the forefront of "cosmetic political sanctions." But if commercial aviation was to acquire important dimensions in the developing world, it must get demoted from this role and put out of the political limelight.

FINANCIAL TIMES CONFERENCE

World Aerospace

Mr J. Palmer Brown, deputy chairman and managing director of Stewart Wrightsoo (Aviation), said that during the past two years the average airline hull insurance rate increase had been in excess of 50 per cent and on liabilities over 80 per cent.

"This has resulted in premium expenditure increasing by 80 per cent on hulls and 120 per cent on liahilities, when also taking into consideration increased fleet values," he said.

"Such considerable rating changes stem from an uneconomic level of rating in the early 1980s, as a result of huge over capacity competing for the business which had generated very substantial profits for insurers in the early 1970s."

Last year the total premiums paid to world aviation insurers amounted to $850m compared with claims last year of $1.1hn.

"The position today, so far in 1986, is that the estimated airline premium income for the year will exceed $1.2bn and after nearly eight months the losses are only $100m."

Mr Palmer Brown said that there was no question that one or two losses could drastically affect the figures. "At the moment, however, this must be an encouraging sign for all of us," be said.

Mr Richard Albrecht, executive vice-president of Boeing Commercial Airplane, said that he thought the current generation of subsonic jets was not threatened by early obsolescence.

"That is not to say we have reached a plateau of such technological maturity or level of marketing sophistication that the prospects for growth, improvement and economic efficiency have been exhausted. On the contrary, I see tremendous potential in all these areas," he said.

"Apart from the national aerospace plane at the moment little more than a concept, the most promising technical development in aircraft is the ultra-bypass engine – the propfan."

Airbus Industrie had decided to forego the propfan in the near term; McDonnell Douglas was hedging its bets; and Boeing was proceeding with "an entirely new 150-seat aircraft combining ultra-bypass engines with advances in aerodynamics, structures and aircraft systems, as well as innovative cabin design. We see a whole new family of aircraft, based on our 7J7," Mr Albrecht said.

"We believe the time is right for this move forward for several reasons. First, there are some 1,500 DC-9s, 727-100s and early 737s in the civil air fleet that are approaching 25 years old. Second, while these jets remain reliable, they are noisy, they are showing their age, and are much less fuel-efficient than similar aircraft on the market or on the way. Third, while fuel prices have declined in actual terms, and as a percentage of operating costs, savings of a penny a gallon still represent tens of millians of dollars a year in extra cesh flow for the average US airline, whatever the price per gallon."

Mr Robert Zincone, president of Sikorsky Aircraft, said that the helicopter industry could already see the start of a period of "explosive growth."

This would involve a wholesale expansion of the roles and missions that helicopters and other vertical take-off and landing aircraft would perform.

# MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

## Beatrice

# Why pressure is again being put on divisions

**David Owen reports that Donald Kelly has made a number of strategic reversals since taking over at the US conglomerate**

Donald P. Kelly

FIVE BRASS plaques adorning Donald Kelly's central Chicago office attest to the recently installed Beatrice chairman and chief executive officer's expertise as a major deal-maker. Each represents a transaction worth in excess of $1bn. Soon there will be seven. Both additions will mark sales by Kelly to reduce the huge $6.25bn debt involved in the leveraged buy-out which took the food and consumer products conglomerate private in April.

The purchase of Beatrice companies by BCI Holdings, a newly formed investment group led by New York leveraged buy-out specialists Kohlberg Kravis Roberts, is the latest in a sequence of takeovers in which Kelly has been involved stretching back to July 1983 and involving constantly escalating sums of money.

On July 6, to be precise, Esmark Inc, a foods, chemicals and personal products group headed by Kelly, acquired Norton Simon, a consumer products group, for $35.50 a share or $973m, following a takeover struggle with incumbent chairman David Mahoney. Less than a year later, on May 3 1984, Kelly, in conjunction with Kohlberg Kravis Roberts, offered to take Esmark private for $55 a share ($2.3bn). This caught the attention of Beatrice chairman James Dutt, who at that time was pledged to turn the company into the world's premier marketer of food and consumer products. He bid $60 a share ($2.7bn) for Esmark and this was accepted on May 24.

But the merged group never gelled, and little more than a year after that—on August 4 1985—Dutt, under pressure from the company's level of indebtedness and a haemorrhage of top management, was forced to resign. At the time, analysts criticised Beatrice for attempting to absorb Esmark too soon after its takeover of Norton Simon and for setting too much store on restructuring rather than improving performance in the operating divisions as a means of increasing the company's value.

This left the path clear for Kelly and Kohlberg Kravis to turn the tables and initiate a buy-out. Even so, it took a sweetened offer of $50 a share ($6.2bn) before Beatrice shareholders would consent to the move.

Since then, food industry analysts have been vying to predict both Kelly's sell-off strategy and the investment group's longer term plans for the company. Meanwhile, Kelly has quietly orchestrated a quick-fire sequence of actual and prospective sales, in a bid to placate creditors who insisted on asset disposals of $1.45bn by mid-1987 as part of the borrowing agreement and to keep interest payments within manageable bounds.

First, BCI arranged to sell the Avis car rental division to Wesray Corporation for an estimated $250m and the Danskin and Pennaco leotard and hosiery businesses to an investor group for an undisclosed sum. Kelly followed this up with his two latest $1bn-plus deals: the sale of Beatrice's profitable Coca-Cola bottling operations to Coca-Cola itself and that of the International Playtex lingerie division to another investor group, including the division's senior management. In the meantime Beatrice announced that it is considering making a public offering of its international food operations, although it intends to retain a "significant" stake. Kelly now says the offering will be made "hopefully in November."

While Kelly insists that Beatrice today is not Esmark revisited, his initial decisions have frequently reversed the direction in which the company appeared headed under Dutt.

Time was, for example, when Beatrice was diversifying fast beyond its food sector core. But it is precisely these non-food related holdings that Kelly has moved fastest to divest. While he insists that analysts such as John Bierbusse of Chicago-based Duff and Phelps are "100 per cent wrong" in their projections that Beatrice will be boned down to its domestic food business and eventually offered to the public, only US Food of the company's four divisions under Dutt has so far escaped significant shrinkage or restructuring (with the exception of the Coca-Cola sales).

Kelly has also scrapped Dutt's pet "We're Beatrice" corporate advertising campaigns that used to account for 18 per cent of the promotional budget. His rationale for this is two-pronged. From the viewpoint of staff morale, he maintains, an ad stressing the corporate image rather than the product itself "doesn't help people to identify with what they're doing." From the viewpoint of the consumer, he feels, "the housewife buying Peter Pan peanut butter doesn't care about who the company behind it is."

In line with the current US food industry trend, Beatrice will be a highly decentralised organisation under Kelly—again the antithesis of Dutt's approach. "It's not for me to decide whether to drill in the *Gulf of Mexico* or to introduce a new bra line," he says. "We don't get involved in the running of the operations." He analogises this "hands off" approach with the function of a portfolio manager. The major difference, he says, is that "the portfolio manager has a market place available for instantaneous changes of direction: the Stock Market."

With such an attitude, Kelly inevitably relies heavily on his divisional managers. Consequently, he sets exacting standards. "Senior executives have a participation in the company and strong incentive programmes," he says. "But they know if they don't get the job done, there's somebody else who will. My own attitude is either you pay me a lot or you fire me," he adds. "There's no point having one foot in the fire and one on ice, and saying on average you're comfortable."

He is confident enough to describe concrete measures adopted to improve divisional performance as "largely a divisional responsibility," adding rather vaguely that "tremendous efforts" are being made in that direction. "Overall, we are looking for market share of key products — perhaps measures on a regional basis."

Since the year ended February 28 1986—for which sales totalled $11.3bn—the net effect of Kelly's selling spree has been to whittle down Dutt and interim chairman William Granger's vast legacy to the core domestic foods division (minus its Coca-Cola bottling operations), the eventual international foods stake, and a few *isolated* consumer products brands such as Samsonite luggage and Stiffle lamps. BCI has also announced its intention to retain a 20 per cent holding in the company to be formed for the leveraged buyout of the Playtex unit.

Few analysts regard Beatrice's domestic foods businesses, viewed as a whole, as anything better than solid performers. "They are positioned for predictable, unspectacular performance with lots of mature brands in prosaic markets," says Duff and Phelps' Bierbusse, "although to their credit, not a lot of capital is required to run the business," he adds.

Scrutinised more closely, however, the unit, responsible for 62 per cent of net sales and 64 per cent of earnings in the most recent fiscal year, undeniably has its bright spots.

None is brighter than the Arrowhead, Ozarka and Great Bear bottled water brands which, some analysts estimate, last year earned about $45m on combined sales of some $200m. Besides being profitable, this strong trio makes Beatrice the largest player in one of the fastest growing US food categories.

Tropicana fruit juices are also reckoned to have performed exceptionally strongly in the 1986 fiscal year—by some estimates quadrupling pre-tax earnings to some $51m in a very competitive market place on sales of approximately *$600m. While the brand is* coming under pressure both from Coca-Cola's Minute Maid and Procter & Gamble's Citrus Hill, Kelly has dismissed suggestions that Tropicana could be the next sell-off candidate, stating that Beatrice is investing heavily in improving its distribution network.

Hunt's tomato products, Wesson cooking oils and the Swift and Eckrich meat lines constitute the pick of the mature brands. Swift and Eckrich between them generated an estimated $100m in pre-tax earnings last year on turnover of around $1.8bn. Kelly expects further improvements in the short term, once the full cost side benefits of combining the two lines filters through.

He meanwhile enthuses about the structure of the proposed public offering of the international foods division, claiming that it will enable BCI to reap benefits in future while generating cash and giving the new company a degree of autonomy. That autonomy will be strictly limited, however, if BCI, as Kelly hopes, retains in excess of 50 per cent of the company — "though that depends on the reception," he adds. Earnings in the division, which accounted for $1.9bn in sales from continuing operations during the last fiscal year, have been sliding since 1984—a situation which Kelly attributes not to unfavourable currency fluctuations, that much abused scapegoat, but to a programme of major expenditures designed to secure market position. "It looks like 1987 to 1989 will be when the benefits will be reaped," he says.

Kelly is not about to reveal his long-term plans for Beatrice. Indeed, he says, it is as much as he has been able to do to convince some employees that long term plans exist. "The most difficult part of our job is persuading them that we are not short-term thinkers," he says ruefully. "I am prepared to reduce earnings short term for long-term gains."

If he were to divulge his current intentions, chances are some would be modified before execution. "I look at long-term plans as a point of departure," he says. "If six months later you don't know more and the economy hasn't changed, you are a very poor manager. If you do know more and don't change tack accordingly, you are an even worse manager."

That said, has Kelly's startling selling spree given him the leeway to start thinking in terms of acquisitions? Probably not, under the current bank agreement, according to analysts *Paine-Webber's Roger* Spencer. Nevertheless, the intention is there. "Within six months we will be forming a company whose major activity will be acquisitions," Kelly promises. "No $50m outfit," he adds pointedly. "It will be of size." With those five brass plaques on the wall beside him, one somehow wouldn't expect otherwise.

## Management abstracts

**Child care for employees' kids.** D. E. Friedman in Harvard Business Review (US), Mar/Apr '86 (4½ pages).

Examines the increase in the provision of child care for employees' children by US companies (some 2,500 now do so), either by direct provision of on-site facilities, organising family care, collaborating with neighbourhood schools, or by providing financial assistance. Offers advice on setting up a programme, and notes the benefits employers can expect, such as recruitment advantages, lower absenteeism and labour turnover, and improved employee job satisfaction.

**Babysitting—good for business.** J. H. Earl and J. B. Wight in Management World (US), Feb '86 (3 pages).

Argues the case for in-house child-care centres, now that the "extended" *family* is less available to look after employees' children; notes that, while most companies prefer to refer their staff to local specialists, an in-house centre can reduce turnover and absenteeism and can generate income if sold outside the company.

**Human aspects of change.** B. Dean in Industrial Participation (UK), Winter '85/'86 (5 pages).

The Secretary-General of print union SOGAT 82 reasons that if management were to consult union representatives from an early stage in the problem—change—improvement process—rather than merely giving the appearance of consulting at a late stage, after decisions have been made, UK industry would be more successful; mentions Fleet Street but concentrates on paper and packaging operations; singles out Kelloggs (cereals) for praise.

**Music in offices.** J. Nemecek in Management Zeitschrift (Switzerland), Apr '86 (3 pages; in German, English version available).

Presents the findings of an enquiry into how background music affected work in 16 branches of a bank; a total of 217 staff were interviewed and the replies analysed according to respondents' age and education.

***Personnel departments and the* Management of Industrial relations.** J. Purcell and A. Gray in Journal of Management Studies (UK), Mar '86 (19 pages).

Outlines key features of multi-divisional companies, such as headquarters responsibility for planning, resource allocation, and financial/administrative controls; considers headquarters IR policies of two specific (anonymous) companies, in the food and leisure businesses: respectively, collective bargaining co-ordination and development of management style in employee relations. Finds, in both cases, a weakening of the corporate personnel role through difficulty in obtaining divisional compliance with policies; notes, though, a strengthening of the corporate finance role.

**A co-operative quality management system for small companies.** A. B. Deshpande + others in The *International* Journal of Quality and Reliability Management (UK), Vol 3 No 1 (10 pages)

Defines small companies as those employing less than 100 people; analyses their difficulties in quality assurance, and investigates an approach called Q-Share by which experienced quality managers with academic institutional backing act as managers for a group of small companies on a shared cost basis; discusses the first year's operation and the experiences gained from a Q-Share pilot scheme involving 20 companies, based on Hatfield Polytechnic.

**The roles of public affairs in *multinationals*.** R. Hayes in International Public Relations Review (UK), Feb 86 (3½ pages)

Discusses the changing nature of multinationals resulting from an information society, global perspective, social awakening in less-developed countries, and a shift in underlying beliefs (from materialism to ecology). In this context, argues that the public affairs function has a greater role as corporate conscience and monitor, and in helping to resolve conflicting goals and aspirations.

**Olivetti goes bear-hunting.** G. Turner in Long Range Planning (UK), Apr 86 (7½ pages)

Examines the reasons—not least the role of Carlo de Benedetti as chief executive—for the remarkable turnround of Olivetti, the Italian office equipment manufacturer; points to contributory changes in the Italian business environment, e.g., the decreasing militancy of the trade unions, but identifies three ways in which the company has tried to minimise risk—producing improved and advanced products, attracting the best people, exploiting and extending its network of alliances.

*These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p & p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.*

# TECHNOLOGY

**Peter Marsh assesses new tyre manufacturing processes**

# Wheels of automation turn

THE WORLD'S *tyre industry* is digesting the implications of last week's claim by Goodyear, the industry leader, that it has cracked most of the problems involved in making tyres in a fully automated fashion.

Ohio-based Goodyear announced it had secretly bought a small UK company, Engineering Consultancy Service, which has developed over several years a method to dispense with many of the labour-intensive steps in conventional tyre making.

ECS, renamed Howdins and based in Wigan, near Manchester, was formerly part of Dunlop, the UK company which once dominated the tyre industry but which sold its tyre-making interests in 1983 to Sumitomo Rubber Industries of Japan.

According to Mr Harvey Heinbach, analyst with Merrill Lynch, the New York stockbroker, the process could—if Goodyear's claims for it turn out to be correct—dramatically change the world's $30bn-a-year tyre industry. Mr Heinbach said the process could bring major benefits in the shape of reduced labour costs and better uniformity in tyre quality.

Other tyre-making companies, however, are less impressed. They say that the ECS developments are logical extensions of work taking place in their own research divisions.

What everyone acknowledges, however, is that tyre making is one of the very few large-scale industrial activities which automation techniques of the past couple of decades have done very little to alter. The first company to illustrate it can put into routine production a totally automated technique will gain a big advantage.

Among Goodyear's rivals are Michelin of France, Sumitomo and Bridgestone of Japan, Italy's *Pirelli* and Firestone of the US.

Although Goodyear has released few details of the automated production method, it appears the technique brings together in a computer-controlled fashion the various discrete steps involved in tyre making, an activity that has changed only marginally since the beginning of the century.

In particular, the method appears to find a way to link the two main stages in tyre making—the formation by a variety of techniques of the dozen or so rubber-based components that make up the average care tyre and the assembly of these components to produce the finished tyre.

Observers have speculated that this could entail a novel type of pre-assembly mixing operation in which the chemicals for tyres are brought together, followed by some kind of transport system designed to convey individual components to assembly *machines*.

Mr Bryan Nixon, Goodyear's director of advanced automation, said: "It (the ECS technique) is a dream we've been looking for for some time. It's a revolutionary process."

According to Mr Nixon, *Goodyear is considering intro*ducing the production method to some of the 40 plants that the company operates around the world. The Ohio concern bought ECS in January, with the 70 staff at the UK-based company sworn to secrecy both about the sale and the nature of their work.

Prior to the sale, ECS had been part of BTR, the UK industrial conglomerate, which took over Dunlop Holdings last year for £101m. ECS did not fit into BTR's operations which is why it decided to sell. According to European Rubber Journal, a London-based trade publication which documents much of the background to the ECS saga in its September edition, Goodyear paid about £18m for the Wigan concern.

According to the journal, Sumitomo had the chance to purchase ECS along with the rest of Dunlop's tyre-making operations. The Japanese company turned down the acquisition partly because of the extra cost and also because the ECS studies conflicted with its own development work.

Mr Clive Castell, technical manager for tyre performance at Pirelli UK, said the Italian concern was already making tyres with techniques in which the final assembly stage was automated. The task of transporting individual components to assembly machines was, if anything, "less tricky" and he was "not surprised" if Goodyear had *cracked this* problem.

Industry analysts will be waiting for news of the first installation of the ECS system in a tyre plant. Goodyear may face difficulties, say observers, in ensuring a fully automated system can turn out the range of shapes and sizes of tyres required from such factories.

Supervisors in conventional *tyre factories can* switch very easily between making different sizes and shapes of tyres, simply by instructing workers to fashion components differently. With a highly automated facility, suggest industry experts, this may not be so straightforward.

### MAIN STAGES IN CONVENTIONAL TYRE MAKING

1—*Materials* are fed into large mixing machines to produce the correct properties for the finished tyre. The materials include natural rubber, chemicals and carbon black, a soot-like form of carbon used as a reinforcing pigment.

2—Individual components for tyres are made from the mixture with a variety of techniques. Extruding machines produce shaped components such as tyre treads. Other devices called calenders (similar to old-style laundry manglers) turn out flat sections of material used for tyre sides, also called carcases. *These carcases may* be backed with steel bracing or other reinforcement.

3—Individual components, of which about 12 may be needed for an average tyre, are transported to assembly stations. Here workers build up the *shape of the finished tyre*, with individual rubber-based parts sticking together by natural adhesion. Tyre companies have made progress in automating this part of the operation. For instance, components such as treads and carcases can be fed to an assembly station automatically and joined together under programmable control.

4—The tyre in its finished shape—what is called a green tyre—is heated to effect vulcanising. Compounds such as sulphur may be added. *This has the effect of curing* the previously soft material to make it rigid and suitable for the road.

# Revival of fortunes for growth hormone

By ELAINE WILLIAMS

THE fortunes of the pharmaceutical industry are such that scares about the health risks of using a drug can wipe out a company's business overnight. *This is what happened to* Kabi-Vitrum, Sweden's state-owned pharmaceutical concern, which was forced to withdraw its human growth hormone, one of its best selling lines.

It had more than 70 per cent of the world market for the *treatment of growth* deficient children before it took the drug off the market because of the risk of patients catching an extremely rare but deadly ailment known as Creutzfeldt-Jacob's disease.

Now, KabiVitrum, which was the *first* company to market growth hormones in 1971, is fighting back and is first in the market with a synthetic growth hormone made with the techniques of biotechnology — rather than extracted from humans — so obviating the risk of contamination.

Human growth hormone is not the only human or animal derived treatment to have associated contamination problems. Blood products used in the treatment of haemophiliacs can be contaminated by the AIDS virus. This has caused the medical world to look towards biotechnology for the production of purer drugs.

Producing such drugs using biotechnology means that bacteria are reprogrammed to produce a specific drug. Each individual cell becomes a tiny chemical factory. At the end of the production process, the cells are "smashed" open to release their contents and then the gooey mess is carefully separated to isolate the pure drug.

Growth hormones are complicated to produce, being made up of a string of 191 amino acids. The order of the acids in the chain has to be exact. KabiVitrum's product has an extra acid at the end of the chain. However, this does not reduce the *drug's effectiveness*.

KabiVitrum worked closely on its drug with Genentech, one of the leading biotechnology *companies in* the US *in* order to produce the synthetic growth hormone. This meant that both companies could get the drug quickly onto the market. But KabiVitrum had to give the US sales rights to Genentech.

The present market potential, says Hans Flodh, vice president of KabiVitrum Peptide Hormone, is $50-$100m — a figure which could easily double with improvements in diagnostic techniques to identify earlier growth deficiencies. This market splits into about 5,000 patients in the US and between 12,000 and 15,000 patients in Europe. According to Mr Flodh, growth deficiency occurs in one in 5,000 births and the cause is often unknown.

*Until their withdrawal*, human forms of growth hormone were struggling to meet market needs. This was despite local *productions* of the *drug in* several countries and the efforts of larger suppliers such as the US National Hormone and *Pituitary Program* and Porton Down in the UK.

Hans Flodh estimates that only about 20 per cent of children who actually needed treatment got it. This was because a single year's treatment for one child took up to 100 pituitary glands — all of which had to be extracted from cadavers. Since treatment lasts up to 15 years the demand on pituitary glands was vast. The difficulty in extracting human growth hormone coupled with ethical and moral attitudes in the use of human tissue also hindered the market.

However, the effect of growth hormone on a child's growth can be startling with an increase in height of 5 to 15 cms a year as long as injections are given. Injections are normally stopped at puberty.

Synthetic versions of the growth hormone should eventually be able to meet the increasing demand. Also Hans Flodh at KabiVitrum says that his company is looking at other promising applications of synthetic hormones including burns treatment, major surgery and bone healing as well as other growth-inhibiting diseases.

KabiVitrum's product which is marketed under the trade-name Somatonorm will eventually have to compete with synthetic drugs from other companies — some now under test but not fully on the market.

KabiVitrum and Genentech's *synthetic growth hormone* is already on sale in 30 countries and the two companies are working on a new version which will exactly mirror the human version rather than differing slightly, though this does not affect its action on growth.


## Fastest film from Japan

KONISHIROKU Photo Industry has developed the world's fastest colour negative film, called "Konika Color SR-V3200."

The film has an ISO (International Standardisation Organisation) rate of 3200, meaning it requires 32 times less light than standard colour film with an 100 ISO rating, the company said.

Refinements in Konica's silver halide crystal structure technology have resulted in the new film which is especially suitable for night-time and astronomical photography.

The company said the SR-V3200 has a picture quality matching ISO 1600 films, the fastest now on the market.

Konishiroku will announce the film at the Photokina '86 exhibition to be held in Cologne, West Germany, September 3-9 and will start marketing it next spring. The price has yet to be decided.



## Dealing workstations

DEALING WORKSTATIONS for the City have been developed by Digital Equipment Company (DEC) of Reading (0734 868711).

DEC describes the unit as its "first market driven product" — to date it has only supplied computing hardware, achieving, it claims, a 25 per cent market share.

Now, in conjunction with third party software suppliers (Control Data for example), DEC will offer the complete working system including dealer desk and business database facilities.

The dealing workstation is based on the MicroVAX 2 computer which can support four workstations, each of which can have four screens for the dealer to use.

Software packages for different trading applications such as foreign exchange, money markets, securities, can run side-by-side on the MicroVAX — important because more and more banks are looking to trade across several markets.

The event takes place at the Society's premises in Belgrave Square, London on *September* 23 and the fee is £100 to non-members, £80 for members. More on 01-235 3681.

## WORTH WATCHING

EDITED BY GEOFF CHARLISH

TOMATO SKINS have more value than might be imagined. In France, biotechnology company Germe is using waste from canned tomatoes, usually dumped, to make *artificial sweetners*.

Just as a tomato left too long in the pantry becomes covered with mould, so the Germe team uses the *skins to* make a culture medium on which micro-organisms can synthesise phenylanaline. By combining this amino acid with aspartic acid, the company is making the sweetner Aspartam.

SECURITY FOR senior managers is the subject of a one day meeting to be arranged by the British Association for the Advancement of Science and the Society of Chemical Industry.

The idea is to introduce senior people to the technical, psychological and legal aspects of security and the course is not intended for those currently involved in the subject. It is much more aimed at those who, at some point, might have to take the strategic decisions involved in computer fraud, kidnapping, threats involving dangerous substances and blackmail.

DATABASE SERVICES were worth $1.2bn in Europe last year according to a recent report from Frost and Sullivan, the market research company. Over a third of the business was generated in the UK.

The increasingly global nature of financial services and London's key position as a time zone "bridge" between the Far East and New York, are helping to forge the UK's position. About 45 per cent of the UK revenues were generated by financial databases says the report. Key players are Reuters, Extel and Dun & Bradstreet's Datastream.

Database Services Market in Europe, $2,400. More in London on 730 3438, or New York on 233 1080.

# Manufacturers Hanover runs with some very good company.

## Congratulations to the runners who helped make the Manufacturers Hanover Corporate Challenge® a success.

### Here are the London companies that participated in the 1986 Manufacturers Hanover Corporate Challenge® Series.

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ASG London Regional Transport
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Baker Harris Saunders
Banca Commercial Italiana
Banca Serfin SNC
Banco De Santander
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British Museum (Natural History)
British Petroleum
British Railways (Lewisham Station)
British Telecom
British Telecom City of London
British Telecom & POHQ
British Telecom Citycall
B R Network South East
BTR Industries
Building Research Station
Burrup Mathieson
Bush Boake Allen
Butler Till
Cabinet Office
Canadian Imperial Bank of Commerce
Carless Exploration
Casson Beckman
Cassidy Davis
Chase Manhattan Bank
Ciba-Geigy
CIC Union Europeene Int et Cie
City & Commercial Communications
City Deposit Brokers
City of London Post
City of Westminster Council
City Response Limited
Clifford-Turner
Cobra Sports
College Hill
Conoco UK
Continental Bank
Contract Personnel
Cooperative Bank
Coopers Animal Health
Council of Stock Exchange
County NatWest Capital Markets
Credit Suisse First Boston
Credito Italiano International
Crest Hotels International
Croudace Ltd
CSO Valuations
C T Bowring & Co
Dai-Ichi Kanyo Bank
Daiwa Bank Limited
Data Architects Systems
Davidson Pearce
Davis Belfield & Everest
D C Thompson & Co
Den Norske Credit Bank
Department of Employment
Department of Energy
Diemer & Reynolds
Deutsche Bank Capital Markets
Dominion Insurance Co
Dow Chemical Company
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Drexel Burnham Lambert
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Eagle Star Insurance Co
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E Gostling (Builders)
Electra Investment PLC
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Fennoscandia Ltd
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Hoare Govett
Hogg Robinson Group
Hokkaido Takushoku Bank
Hong Kong Bank Group
Hoskyns Group
IBM (UK)
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Manufacturers Hanover Trust
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Midland Bank
Midland Bank Aerospace
Milcars
MIM Limited
Ministry of Defense
Mitsubishi Bank
Mitsui Bank
Mitsui Trust & Banking Co
Mobil North Sea
Morgan Grenfell Group
Morgan Stanley International
Morison Stoneham
Mount Pleasant Post Office
Nabisco
Nabisco Group
Nacanco
NALGO
National Consumer Council
National Council for Voluntary Organizations
National Telephone Systems
National Westminster Bank
National Westminster Bank PLC
NatWest Investment Bank
NCR Ltd
Newham Leisure Services
Nikko Securities
Nomura International
Numed Parkside
Orion Royal Bank
Park Royal Ambulance
PB Trade Finance
Pearson PLC
Peat, Marwick, Mitchell & Co
Petrofina
Petty, Wood & Co
Phillips Petroleum Company
Physics Department
Plessey Company
Postel Investment Management
Price & Pierce
Price Waterhouse
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Reckitt & Coleman
Rediffusion Simulation
Robert Fleming & Co
Robson Rhodes
ROCC Computers
Roda Financial Print
Rowe Pitman Mullens
Royal Bank of Canada
Royal Bank of Scotland
Royal Insurance (UK)
Royal Society of Chemistry
Royal Trust Company of Canad
Royex Runners
Royex Runners — Solicitors
R P Martin
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Salamon & Seaber
Salomon Inc
Sanwa Bank
Sanwa International
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Sea Containers
Security Pacific Hoare Govett
Security Pacific National Bank
Sedgwick Group
Simmons & Simmons
S J Berwin & Co
Slaughter & May
South Bank Polytechnic
Sovereign Oil & Gas
Spicer & Pegler
St Bartholomews Hospital
St Barts Hospital Medical School
St Quintin Chartered Surveyors
Stock Exchange
Stratford Traders Association
Sumitomo Bank
Sumitomo Finance International
Sumitomo Trust & Banking Co Ltd
Sun Alliance Insurance Group
Sun Life Assurance Society
Sun Life of Canada
Swiss Bank Corporation
Tandea Computers
Telemessage BTI
Texaco
The Sweatshop
Thomas Cook LTD
Timex Corporation
Tioxide Group PLC
Toshiba International
Tower Maritime Group
Touche Ross & Co
Tradition (London Brokers)
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Tripe & Wakenham Partnership
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Truman
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Union Discount Co of London
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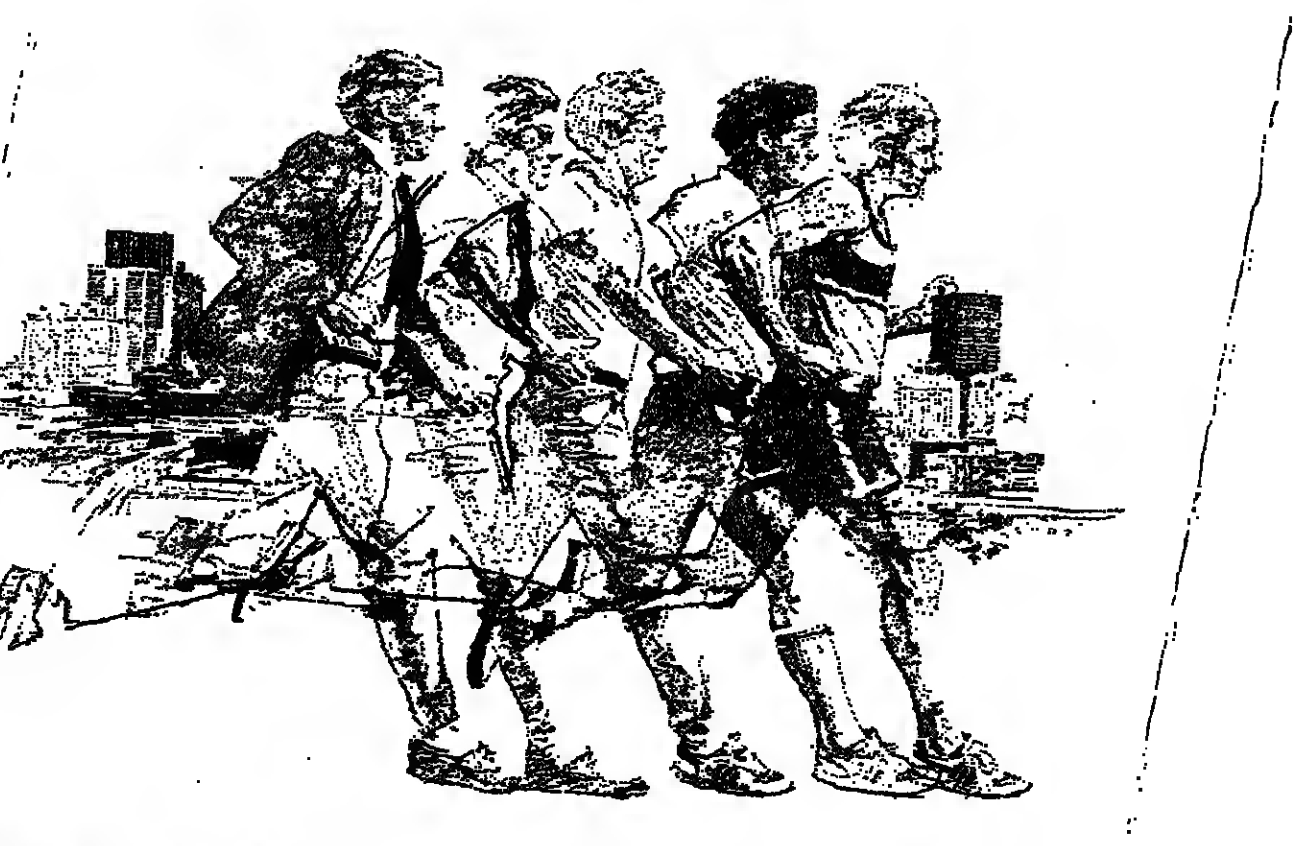

**We are happy to report that the two Corporate Challenge races held in the city of London and Battersea Park this summer together drew over 5,000 runners. Since the inauguration of the Corporate Challenge ten years ago, this represents the largest participation recorded by any city hosting the race for the first time. The winning teams from both races will be flown to New York courtesy of Pan American World Airways.**



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# THE ARTS

## Arts Week

| F | S | Su | M | Tu | W | Th |
|---|---|---|---|---|---|---|
| 29 | 30 | 31 | 1 | 2 | 3 | 4 |

## Exhibitions

### WASHINGTON

**National Gallery:** Viennese Renaissance sculpture from the Kunsthistorisches Museum includes work by Bertoldo di Giovanni, Andrea Briosco, and Alessandro Vittoria. Ends Nov 30.

**National Gallery:** The first major retrospective of the works of 19th-century American landscapist George Inness traces the artist from the early influence of French Barbizon landscapes through the development of his own soft naturalism with dramatic skies dominating rolling terrains. Ends Sept 7.

### CHICAGO

**Art Institute:** Treasures of Japanese Buddhist Art, the only showing in the Western world of works from the great Todaiji Temple in Nara, Japan, includes 151 statues, handscrolls and intricately designed lacquered objects from the largest wooden temple in the world. Ends Sept 7.

**Art Institute:** The unknown works of Mies van der Rohe and his disciples of modernism shows 250 original drawings and models to better place the architect in the modern tradition through a fuller range of his works than previously covered.

### PARIS

**What Is Modern Sculpture?:** Rather arbitrarily, the American art critic Margit Rowell answers by excluding Rodin and Maillol from the 1900–1970 period. Her criterion is e break with tradition, and tin, welded wire, plywood and string are next to sculptures in bronze and marble. There are some splendid works by Picasso and Matisse, Brancusi and Giacometti. The exhibition continues from the 5th floor to the forum in the basement with Beuys and Arte Povera and is unspeakably depressing. Centre Georges Pompidou, Closed Tue (42771112) Ends Oct 13.

**Hispano-American Silversmith work:** The 150 exhibits on loan from the Buenos Aires municipal museum cover three centuries and are the result of the combination of the legendary riches of the Peruvian mines with the exuberance of colonial craftsmanship. Silver – beaten, chiselled, filigreed – accompanies everyday life. For the gaucho there are *silver stirrups* and *cruel looking* spurs. There are delightful perfume-burners in shapes of animals and *maté* cups for traditional herbal infusions decorated with endlessly inventive flower motives. As for liturgical objects, religious fervour tends to make the ornate baroque style rather overpowering. Louvre des Antiquaires, 2 Place Palais-Royal (4297 2700). Ends Sept 6.

**Mediaeval art in Paris:** The abbots of Cluny built their magnificent late gothic town house in the heart of the Latin Quarter on three blackened ruins of Roman baths. Now a museum, it houses mediaeval works of art: goldsmith's work, carved altar pieces, ivories, fabrics, with two English royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the Unicorn *mille fleurs* tapestries – an allegory of the five senses, one of the masterpieces of mediaeval art. Musée de Cluny. 6 Place Paul-Painlevé, Métro Odéon.

### TOKYO

**Turner (1775-1851):** Over 100 oil paintings and water colours in one of the most important Turner exhibitions held overseas. Loans (20 from London's Tate Gallery) include Rain, Steam and Speed from the National Gallery, and Lifeboat and Manby Apparatus, courtesy of the Victoria and Albert Museum. Tokyo Museum of Western Art, Ueno Park. Sponsored by Nihon Keizai Shimbun and British Council. Ends Oct 5. Closed Mondays.

### BRUSSELS

**Ghent:** Chambres d'Amis, 51 international artists showing in 51 private houses. Tickets, map etc from Modern Art Museum, Ghent (091/21 17 03). Ends Sept 21.

### ITALY

**Florence:** Fort Belvedere: Donatello and his Contemporaries illustrates the remarkable versatility of the greatest sculptor of the early Renaissance. Half the 110 works here were on show in Detroit last autumn, but notable additions include the Cellini Madonna lent by the Victoria and Albert Museum, the bronze Tondo rediscovered in 1975 and two recent discoveries of possible Donatellos: The Madonna of the Murate (found in the chapel of the one-time Florence prison) and the unfinished head of a youth, found in the Uffizi store-rooms. One room contains the four outstanding Florentine wooden crucifixions of the fifteenth century )not counting Michaelangelo's in the Casa Buonarotti): That of Brunelleschi; the crucifixion from S. Croce by Donatello, *Michelozzo's from S. Niccolo and* the crucifix from S. Bonaventura a Boscoai Frati, of doubtful attribution. Ends Sept 7.

**Lugano:** Villa Favorita: Goya In Private Spanish Collections: 50 paintings by Goya, normally impossible to see and which have never travelled before. The exhibition is organised by Baron Thyssen and the Spanish Minister of Arts. Among them is the portrait of the Contessa di Chinchon, considered the best of Goya's paintings of women. Ends Oct 19.

**Venice:** Palazzo Grassi: Futurism and Futurisms: Fiat opens its art centre on the Grand Canal with the largest exhibition to be devoted to the Futurist Movement, a movement born in Italy, and the first to exalt technology, and to try to convey speed on canvas. More than 300 works have been lent. The paintings are mainly from 1909-18, but there are also sections devoted to literature, theatre, music, architecture, fashion and furniture, showing futurism's influence up to 1930. Ends Oct 12.

### WEST GERMANY

**Düsseldorf,** Kunstmuseum, Ehrenhof 5: Otto Pankok (1893-1966). The Passion; 60 huge charcoal drawings by the German expressionist covering 1933-34. Ends Oct.

**Essen:** Villa Hügel: The chairman of Krupp, Dr Berthold Beitz, who is also head of the private Ruhr cultural institute, was the moving force behind this exhibition, helped by Mr Erich Honecker, the East German leader. The Villa Hügel, 114 years old, has been redecorated for the exhibition. This is the first show organised by the institute, founded three years ago on the initiative of the Krupp Foundation. The treasures from the period 1694-1733 of great Electors are on loan from Dresden's state cultural collections. The eight royal collections are presented separately with characteristic master works. There is also one of the oldest and most complete coin collections in the world and e huge collection of arms and copper engravings by Boucher, Chardin, Piranesti and Tiepolo. The picture gallery includes works by Titian, Poussin, Velasquez, Rubens, Rembrandt and Cranach. Ends Nov 2.

**Nuremberg,** Germanisches Nationalmuseum, Kornmarkt 1: Nuremberg, from 1300 to 1550. Gothic and Renaissance Art. About 300 main works of Nuremberg's grandest age. Ends Sept 28.

**Munich,** Lenbachhaus, Luisenstrasse 33: Hommage à Beuys: 80 painters exhibit some 100 pictures with 150 late works by Joseph Beuys (1921–1986). Ends Sept 28.

### SPAIN

**Madrid,** Prado Museum. French, Spanish and Italian paintings of the 18th century. This exhibition from the Prado collection includes works not seen for 15–20 years as well as recent acquisitions. Tiepolo, Bayen, Maella, Paret, Juan Bautista, Mengs. Palacio de Villahermosa, Plaza de las Cortes 6. Ends Sept 30.

**Madrid,** Treasures of Spain – Ten Centuries of Books. Three exhibitions gather Spain's rich book collection of 1,000 years. Biblioteca Nacional, Sala Ruiz Picasso, Paseo de Recoletos 22. Ends Sept 7.

### NEW YORK

**Metropolitan Museum of Art:** 40 Impressionist and early modern paintings from the Hermitage in Leningrad and the Pushkin Museum in Moscow include works by Picasso, Matisse and Chagall rarely seen in the West. *Ends Oct 5.*

**Museum of the City of New York:** Arbit Blatas's paintings, drawings and sculptures of Three Penny Opera covering 12 scenes and 11 characters, were inspired by the historic Theatre de Lys production in 1954 starring Lotte Lenya. Ends Oct 15.

**Whitney Museum:** The largest exhibit ever mounted of Shaker design shows off the strong, simple lines in the furniture, tools, textiles and graphic design of one of the great American Puritan cultures that remained separatist and intact for more than a century. Ends August 31.

**Museum of Modern Art:** Vienna 1900, including 700 paintings, designs and objects, covers silverware, jewellery, furniture and ceramics, with the Successionists like Klimt and his Golden Style, as well as Kokoschka and Schiele in e comprehensive exhibit that illuminates the *birth of modernism.* Ends Oct 21.

**Cooper Hewitt Museum:** Hollywood, Legend and Reality celebrates the history of America's greatest popular culture in all its excesses and intimacies through the various crafts like production, direction, editing and special effects. Ends Oct 25.

### LONDON

**Hayward Gallery:** Dreams of a Summer Night – an exhibition of painting at the turn of the century in the five Nordic countries, organised by the Arts Council and the Nordic Council of Ministers. It proves to be an important and intriguing exercise in critical reassessment, for though many of the painters enjoyed a certain contemporary fame abroad, they were with one great exception all but forgotten in the years after the First World War. Munch was that exception, and the chief value of *this exhibition,* which throws a fresh light on his work, is the demonstration that he was no arbitrary phenomenon but the notable product of e distinctive national and regional character. Ends Oct 5, then Düsseldorf and Paris.

### NETHERLANDS

**Eindhoven,** Van Abbe Museum. Currently drawing a record number of visitors to the 50th anniversary 'Eye level' exhibition of its entire collection. The 1,500 works read like a roll-call of modern art, from Chagall, Kandinsky, Braque and Picasso to Klein, LeWitt, Baselitz and Kiefer. Ends Nov 11.

**Amsterdam,** Tropenmuseum. The Human Story charts evolution from the origin of the universe, through the age of the dinosaurs and the appearance of the first primates, up to the present day. Video programmes, *life-size reconstructions* of early hominids (including Leakey's famous 'Lucy') and touch-screen displays illustrate this detailed story of mankind previously seen at the Commonwealth Institute. With an introductory section on the theory that a meteorite impact 64 million years ago led to the extinction of the dinosaurs and cleared the way for the birds and mammals. Ends Oct 19.

**Leiden,** Rijksmuseum van Oudheden. Treasures from Turkey gathers together more than 400 exhibits from 22 museums to provide an overview of the civilisations that left their mark on Anatolia in the course of 1,000 centuries. The first section covers the Stone and Bronze ages, with pottery, delicate figurines and gold ornaments. The second part is devoted to the classical period, from the first contacts with Greece up to the end of the Byzantine Empire, and contains superb Hellenistic statues, a Roman portrait gallery and the treasury of Constantinople. The refined cultures of the Seljuks and Ottomans are explored in the final section, furnished mainly from the Topkapi Museum, with illustrated books, tapestries and embroidered garments. Ends Sep 22.

**Amsterdam,** Rijksmuseum: Impressionists and their contemporaries in an exhibition of 140 French prints spanning the period 1860–1900, including foreign artists who made Paris their spiritual home. Ends Sept 7.

## Theatre

### NEW YORK

**Cats** (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and *choreographically feline,* but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

**42nd Street** (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

**A Chorus Line** (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

**La Cage aux Folles** (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

**I'm Not Rappaport** (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life, past, present and future, with a funny plot to match. (239 6200).

**Big River** (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

**The Mystery of Edwin Drood** (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical, with music-hall tunes where the audience picks an ending. (239 6200).

### LONDON

**The Normal Heart** (Albery): Tom "Amadeus" Hulce is playing the crusading hero of Larry Kramer's hysterical melodrama for a three-month season, as public concern over the Aids epidemic increases. (836 3878 credit cards (CC) 379 6565).

**La Cage Aux Folles** (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

**Blithe Spirit** (Vaudeville): Susan Hampshire and Joanna van Gyseghem have now joined Simon Cadell in this enjoyable Coward revival. (836 9987).

**Troilus and Cressida** (Barbican): Provocative RSC production set vaguely in the Crimean War with Juliet Stevenson refusing to play Cressida false but riveting just the same. The bumptious 1950s Merry Wives continues in repertoire. (628 8795).

**Dalliance** (Lyttelton): Tom Stoppard's new version of Schnitzler's Liebelei is a crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusion of middle-aged actors playing boyish dragoons in Peter Wood's numbingly respectable production. (928 2252).

**Lend Me A Tenor** (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592)

**When We Are Married** (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhorse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is e drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

**Noises Off** (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with e third-rate farce is a key factor. (836 8888).

**Starlight Express** (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

**42nd Street** (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

**Lennon** (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

### TOKYO

**The Peony Lantern:** based on a ghost story by Sanyutei Encho, indulging the Japanese tradition of chilling tales of the supernatural as antidote to relentless summer heat. The plot revolves round the ghost of Otsuya, who after her unhappy death pays e visit back to earth to her lover. This is also O-bon season in Japan when, according to Buddhist belief, ancestral spirits make their annual visit to their former earthly homes carrying lanterns. The play is performed by one of Tokyo's best troupes, Bungakuza, directed by Ichiro Inui and stars Haruko Sugimura (favourite of Japanese audiences and best known for still playing Blanche Dubois in A Streetcar Named Desire at age 82), Kazuo Kitamura and others. Mitsukoshi Theatre in Mitsukoshi Department Store, Nihonbashi. (241 3311).

**Noh by Torchlight** (Takagi Noh). A special treat in Tokyo's relentless summer heat is outdoor Noh performances by firelight, held in the evening cool at shrines, offering a rare chance to experience Noh in its original outdoor setting. The effects of strategically-placed fire caskets are perfect for the other worldy atmosphere of Noh. Programmes include specially chilling ghost stories to alleviate summer heat – e Japanese tradition. The tiny pocket books, A Guide to Noh and Guide to Kyogen (available at hotel bookstores) give the plots. Very popular and usually held at weekends, see Tokyo papers for details. Book early to avoid disappointment.

**Bunraku Puppet Theatre:** Japan's traditional popular theatre with its life-size puppets. Sister theatre to Kabuki, they share a common repertoire. This month's performances feature one of the most popular plays for Bunraku, Imoseyama Onna Teikin by Japan's best-known 18th century playwright, Chikamatsu. Matinée at noon, evening performance, 4pm. National Theatre near Akasakamitsuke and major hotels. English programme and excellent earphone commentary available. (265 7411).

### NETHERLANDS

**Den Bosch,** Casino. Chris Harris in his one-man show Kemp's Jig, the comic story of e musical clown in Shakespeare's company who turns his back on the bard and wins fame by Morris dancing from London to Norwich (Thur). (125 125).

### CHICAGO

**Pump Boys and Dinettes** (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

Continued on Page 13



# BUSINESS LAW

## Case for a contingency fee system

BY A. H. HERMANN, LEGAL CORRESPONDENT, IN LONDON

IT IS not so very long ago that in his Denning lecture Lord Justice Parker created the impression that the main problem of English justice was the shortage of court rooms in London's Royal Courts.

The Lord Chancellor's department, reporting an unprecedented 19 per cent increase in the volume of work in the south-eastern circuit, goes a step further. It says: "Problems arising from the shortage of courtrooms are compounded by shortages of both judges and staff to run them."

The department goes on to complain how difficult it is to attract staff to posts in and around London. In view of the increasingly severe competition from other employers, it sees the remedy in greater use of computers.

It is reassuring to read that at least lawyers and legal staff do not suffer by unemployment and that the Lord Chancellor has difficulty in filling the vacancies. Computers might help him to reduce the backlog of cases waiting for trial, but will not slow down the rapid rise in litigation.

Leaving aside criminal cases, one can see from the Lord Chancellor's figures that the number of proceedings started in the Queen's Bench division of the High Court, the division dealing with most commercial disputes, increased from 68,192 in 1979 to 92,064 in 1985 – an increase of more than a third over a period of six years. Only a small proportion of these proceedings comes to trial. But also the number of cases set down for hearing in the Queen's Bench division increased in that period from 4,310 to 5,522, that is by about a quarter.

Not only the number of litigation is increasing, also the cost of litigation is rising. A recent report scrutinising legal aid expenditure revealed that neither the Law Society nor the Lord Chancellor's department can explain why the costs are rising. A number of remedies was proposed: to take the administration of legal aid from the hands of the Law Society and entrust it to an independent board; to introduce stricter standards for screening applicants for legal aid; and to do away with the green form procedure providing a standard fee to solicitors for an initial interview when they have no possibility of knowing whether the problem of the client is really of legal nature.

Instead, it was proposed that the first approach of the legal aid client should be to a legal advice centre or Citizen's Advice Bureau, which should be able to weed out those whose problems are economic, social, interpersonal or simply emotional.

Parallel to the green form problem and the proposal that the first interview should not be with a solicitor, is the tendency of the business community, as well as those individuals who are not sufficiently poor to have the benefits of legal aid, to turn to seek help outside of the legal profession.

Tha best known example of this is the successful pressure for the abolition of the conveyancing monopoly. Less obvious, but not less important, is the increasing role of accountants as legal advisers to individuals and businesses small and big.

Their scope goes now far beyond taxation problems. They offer help in a wide range of regulatory problems concerning credit, securities, companies, data protection and competition rules, both domestic and foreign.

Other advisers are moving into the market to satisfy demand, the latest being the legal cost insurers who offer their clients e cheap instant advice in the knowledge that they can in this way avoid, or at least reduce, legal costs for which they are responsible.

Why do so many more people need legal advice, and why do so many more get involved in disputes and litigation? One explanation could be that hard times result in redundancies, difficulties in paying debts and failure of companies, as well as the growing complexity of business and its internationalisation.

Another explanation, however, is the proliferation of incomprehensible statutes and regulations. Very often substantive law, confused by the succession of judicial decisions is "clarified" by an amending act which leaves experienced lawyers completely dumbfounded and which a non-lawyer would never dare to tackle himself.

Why do English lawyers suffer this type of incomprehensible rule making when other countries have demonstrated that it is not necessary?

Let us attempt what doctors call a differential diagnosis, comparing the fate of arbitration in England and in the US. Except in simple cases when only questions of fact are involved, arbitration in the UK does not offer any great saving of legal costs. As soon as questions of law are involved and lawyers are brought in to argue the case, it becomes e sort of wigless litigation, often more costly than litigation proper.

Recent attempts by Parliament and the higher courts to curb appeals from litigation were resented by judges of the commercial court and their vendetta has been continued by the Bar. Lawyers like the chance of going on and on, possibly to the House of Lords, whenever the clients or legal aid can provide the necessary funds.

In the US, judicially-ordered arbitration has been one of the remedies against the escalation of costs and overcrowding of courts.

When I visited Philadelphia some years ago, the arbitration programme was in full swing. All civil actions brought for less than $20,000 and not involving equity or real estate were automatically placed on the arbitration list. This meant that about 70 per cent of all disputes were disposed in this way. The programme was fully supported by the Philadelphia Bar, and some 3,500 attorneys volunteered to serve as arbitrators, though the fees were moderate compared with their other income. Most cases were decided within 90 days of being filed.

In addition to Pennsylvania, 10 other federal jurisdictional districts employ some form of judicial arbitration, one of the most recent being tha New Jersey programme for compulsory arbitration of motor car accident claims valued at less than $15,000 enacted in 1983. Of particular interest from the English point of view is the arbitration programme of the Rochester City Court in New York, a court which can be assumed to deal with similar disputes as a London court. The programme, introduced to cut down on the backlog of pending cases is applicable to all civil cases brought into the City Court valued at no more than $6,000, with the exception of evictions and small claims.

While the pre-trial procedures are the same and take, on average, longer than in the case of litigation, the arbitration phase is much simpler and quicker than a trial. It is also more informal, and though parties usually are represented by counsel, the hearings tend to be over in about an hour. As in Philadelphia, the lawyers support the programme and about 90 per cent of the Rochester Bar volunteered to serve as arbitrators, though the fees are very small – $45 for the chairman of the panel and $35 for the other two members.

A study funded by the National Science Foundation revealed that, compared with another district of a similar type but without compulsory arbitration, the pre-trial settlement of Rochester arbitration cases was surprisingly low. Both parties and their lawyers seem to have preferred a decision by the arbitration tribunal to a negotiated settlement.

The study indicated that the most important reason for this preference was that the informality, speed and low cost of the arbitration hearings removed an incentive to settle. The relatively small number of appeals indicates that arbitration was not only used as a cheap gamble for a favourable decision in marginal cases.

Comparing this with the English experience, one must ask why should American lawyers be more interested in speeding up the decision and reducing legal costs by such a system of arbitration when the English lawyers see in such measures a threat to their earnings? One explanation may be that under the contingency fee system, widespread in the US, the delays and costs go on the account of the lawyer. They increase his loss if he loses the case, and diminish his profit if he wins. Ha is in a very different situation from the English lawyer, whose earnings are proportional not to the result achieved for the client but to the time spent on the case.

The ultimate cause of the disease of English justice may well he a lack of financial incentive for the lawyers to make the litigation short and crisp and to press for intelligible drafting of statutes.

This is why the UK needs a contingency fee system – not a contingency fee fund considered now by the Law Society using profits of one lawyer to meet losses of another. This would be just another fund to finance delays and complications.

# THE ARTS

## Cinema/Nigel Andrews

# Into the Hybrid Zone, where genres collide

**Aliens directed by James Cameron**
**Highlander directed by Russell Mulcahy**
**Rosa Luxemburg directed by Margarethe von Trotta**

You are going to a place beyond imagination where movie genres collide. Take the key of your mind and unlock the door to unknown worlds. Look — the signpost up ahead! It is the Hybrid Zone.

Hollywood is a place of infinite inventiveness. Whenever it suspects that audiences have had enough of genres served up neat — the straight horror film, the straight Sci-Fi movie, the straight swashbuckler—it starts to make cocktails of them. This is a long and honourable tradition, stretching all the way back to Griffith's *Intolerance* (Biblical epic plus modern morality drama plus chase movie). But the practice has never been more rampant than in the 1980s.

*Aliens* and *Highlander* are both shake-and-serve cocktails mixing different movie styles. *Aliens* carries on (in every sense) from where its non-plural predecessor left off, giving us a large serving of interstellar Gothic. Outer space whizz-bangery *Star Wars*-style is stirred together with the dripping walls and sudden shrieks of the horror film. *Highlander* combines two even more unlikely flavours: the period swashbuckler (set in 16th century Scotland) with the futuristic revenge story (style of *Blade Runner* and *The Terminator*).

*Aliens* is the more knockout mixture. Even as we speak, this screams-in-space epic is racking its way towards $70m in America, after a mere five weeks in the public eye. At the end of *Alien*, you will recall, the beautiful but tough Officer Ripley (Sigourney Weaver) was left voyaging through space in her escape craft after disposing of the reptilian space-monster who had slain all her crew. Now, after 57 years *(sic)* of hypersleep, the unaged Ripley is sucked into a friendly US space station, repaired in hospital and de-briefed about her adventures.

Soon her listeners are appalled to hear about the monster-hatching activities she claims are going on on planet LV426 (see *Alien 1*), because the said planet has been colonised for the last 20 years. Are the colonists in danger? Only one thing to do. Send in the Marines. Wipe the slithery things off the map. And send Ripley along as well: she knows the terrain.

Writer-director James Cameron (of *The Terminator*) then dispenses two hours of the most glorious hokum you could hope to see. Flamethrowers, grenades and hi-tech machine-guns prove little defence against the camouflaged nasties that uncoil from walls, flap hideous tentacles, slither along air-ducts six inches from the ground (they have clearly studied the hovercraft principle), slobber from vast metallic jaws, bleed acid blood and, after capturing their victims, "cocoon" them prior to metamorphosing them into more of their kind.

Sean Connery and Christopher Lambert in a scene from Highlander

Meanwhile, on the human side, there are such advanced-technology wonders as a giant metal fork-lift device which the user "wears" rather than drives, an android who continues to function happily after being cut in half and much mumbo-jumbo with computers, video monitors and suchlike.

Cameron's pasty visuals do not match those of Ridley Scott's original *Alien* for lovingly textured High Gothic. But in the flood of action you hardly notice, and in Sigourney Weaver Hollywood has found an action-woman who is as tough as S. Stallone and much pleasanter on the eye.

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*Highlander* is a deeply bizarre concoction: a movie time-machine shuttling between the romantic Celtic past and the hi-tech Manhattan present.

It is as if Robert Louis Stevenson, in the midst of writing *Kidnapped*, had been kidnapped by a gang of time-tripping Hollywood moguls. "We like all this stuff with the kilts and claymores, Bob, but let's bring it up to date a bit. How about a parallel story in 1980s New York? We will change the hero—we do not go for the name Michael Balfour, it is not box office. We will call him Connor MacLeod. That is much more Scottish, Bob. We will make him a 450-year-old immortal and we will have him fighting duels *both* in the 1530s *and* in the 1980s, with some ugly brute of a villain whom he has got to beat to save the world from . . . from. . . ." "Armageddon?" "Yes, that is good, Bob. To save the world from Armadillo."

So Moviedom swings into action. Christopher Lambert, a Frenchman, is cast as the Scots hero. Sean Connery, a Scotsman, plays his Spanish mentor Ramirez ("Chief metallurgist to Charles V of Spain"). And Russell Mulcahy, chief pop-video maker to the England of Elizabeth II, is appointed director.

It is all a riot. I have no wish to confuse you with details of the plot, nor should you confuse yourself with them when you watch the film. Close your brain to the illogicalities of the time-chopping structure and there is much to marvel at. Mulcahy's visuals are a delirium of chiaroscuro, smoke-texturing, wide-angle expressionism, serpentine tracking shots, trick-photography thunderstorms and startling transitional devices (using the technical sophistication of video) between Past and Present. At one moment the camera ascends to the roof of an underground New York car park and then appears to crane up and out into a castle-dotted Scottish landscape c. 1536. At another, the camera rises above the water-line of a fish in the hero's Manhattan apartment to reveal itself afloat on a vast Scottish loch.

Wonderful stuff. There is also, as I say—but please do not exercise yourself too much over it—a plot.

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I wish Russell Mulcahy had been able to work on Margarethe Von Trotta's *Rosa Luxemburg*: as, say, 2nd unit director or special effects consultant. The only thing that could have saved this film is a few century-hopping sword-fights or trick-photography éclats. Rosa Luxemburg is the lady who in the last years of the last century and the early years of this tried to make the world safe for Communism. Born in Poland in 1871, she took up resistance struggles against the Tsar and later went to Germany, where she helped found the country's Communist Party. After masterminding an ill-fated revolt against the government, she was arrested by the Freikorps and murdered (or executed, according to semantic preference) in 1919.

Von Trotta's drearily respectful bio-pic gives us Rosa the lover, Rosa the revolutionary, Rosa the mother, but above all Rosa the bore. Barbara Sukowa won the Cannes Best Actress prize for her performance in the main role, and she puts more life into it than the film as written and directed (as if for a schools broadcast) deserves.

## Madonna of Winter and Spring/Albert Hall

**Andrew Clements**

Perhaps the most challenging and substantial of this year's contemporary-music Proms on Wednesday sandwiched Messiaen's *Proms pour Mi* between two hefty British scores. The BBC Symphony Orchestra conducted by Peter Eötvös was giving the second performance of Birtwistle's *Earth Dances* after the premiere in the Festival Hall last March, while the concert began with the second of the two Proms commissions, *Madonna of Winter and Spring*, by Jonathan Harvey.

Under such a beguiling title shelters a complex and highly ambitious piece. It is scored for large symphony orchestra and live electronics; the sounds of the conventional instruments are mirrored and transformed by a battery of three synthesisers, ring modulators, artificial reverberation and straightforward amplification. The whole mélange is controlled from a mixing desk in the centre of the Albert Hall arena, and the sounds channelled through eight sets of loudspeakers disposed through the auditorium. Sounds can be made to travel around the hall, beginning on the stage and then electronically prolonged, moving clockwise or anticlockwise, up and down.

The use of all this hardware is integrated into the scheme of a large-scale orchestra poem, whose four sections carry emotive titles — "Conflict," "Descent," "Depths," "Mary." On one level it seems to articulate the plan of Mahlerian symphonic argument that finds resolution in its final section, on another the religious impulse that evidently lay at the root of the work: "the piece portrays the action of [Mary's] soft, yielding influence on forces which are assertive, brutal or despondent." There is a highly organic thematic construction too: a "chain" of 20 melodies that furnishes the work's thematic content, and a sequence of seven chords that determines its harmony. Both these elements are exposed during the first few moments of the work.

The gross architecture is easy enough to follow: the first section argumentative and developmental, the second a relatively brief transition for electronic sounds from high register to low, the third a becalmed pool of meditation, the final part offering resolution and fulfilment. It is in some ways too easy, too pat, and the electronic contributions sometime appear to add just the element of glamorous exoticism needed to enliven a prosaic discourse. Certainly the combination of live and transformed sounds can create some telling effects: a Brucknerian horn call that rolls around the hall, clarinet and trumpet motifs that find themselves underpinned by the dying reverberations of their own past gestures, and in the closing pages a musical discourse dispersed around and about one's ears, so that there is the suggestion of a fascinating structural effect, the opening out of the dialogue into another dimension.

But such passages are largely confined to the final section, and they only hint at the potential that could be realised from Harvey's concept. For in itself sending a sustained chord spinning about the auditorium does not make the musical sound inherently more interesting; it has to carry some dialectical force as well. Stockhausen gave spatial effects a musical function in *Gruppen* 30 years ago; nobody so far has significantly extended the technique. Too often *Madonna of Winter and Spring* uses its technology for coloristic effects only, and the music itself is then too ordinary to sustain such a substantial work on its own.

## Il trovatore/Coliseum

**Max Loppert**

The English National Opera on Wednesday opened its doors on the 1986-87 season. Not, it must be said, with one of those revelatory new productions of an out-of-the-way opera that make one cherish the company so passionately, but with an only fair-to-middling revival of one of the operatic staples — the kind of revival that shows the ENO in less concentrated form, and prompts rather cooller affections.

That greatly experienced opera conductor James Lockhart was in the pit, which encouraged expectations of a rather tidier, tauter reading than the one we heard — all evening, but specially in the early stages, ensemble was a problem, and the score never developed the "consecutive" cogency that distinguishes the truly gripping *Trovatore*.

The 1972 John Copley production — from a period when the ENO's Italian opera performance standards were more reliable than they appear to be at present — has been "re-staged" by Keith Warner. This amounted mainly to the provision of fussy new lighting schemes, including a near-comic crimson spotlight to click on like clockwork every time Azucena's mind started to wander; and the organisation of messy crowd scenes with bits of business stuck all over them. Was Mr Copley invited back to stage the piece himself? If not, why not?

At least there were two principals, one familiar, one new, to raise the temperature a couple of degrees every so often. Kenneth Collins, returned from Australia, is once again an admirably sturdy, honest, vocally resilient Manrico. The subtler graces of the part were brushed rather than fully sounded (though Mr Collins has developed an acceptable *mezzopiano*), but when ringing tone was required, he supplied it freely — "Di quella pira" was detonated with rare, exhilarating tenor confidence while keeping well within the bounds of dramatic credibility. Ann Howard, new as Azucena, has still to discover such ease in a part which in any case stretches her much harder. But the presence is striking, the sense of the character's wild, murky past impinged interestingly on her present, and the readiness to find drama in the notes will surely be taken further.

The other principals, also one familiar and one new, were less encouraging. Neil Howlett (Luna) sounded out of voice, and forced uncomfortably, skirting the edges of Victorian melodrama in a way he has seldom had to in the past. About the first Leonora of Jane Eaglen, very mixed feelings: at first she seemed no more than pallidly musical, hardly a soprano for this opera in a big house whose standards have been set by Rita Hunter and Margaret Curphey. Greater confidence came in Act 3, and with it a smoother, shapelier line (the second aria had some pleasing moments). But the voice sounded worryingly taxed at both ends of its compass, and the acting was no more than controlled nervousness. Is this another ENO case of a gifted young singer being pushed too hard too soon?

## American and French theatre/Edinburgh Festival

**Martin Hoyle**

The Edinburgh fringe is larger than ever. One feels the time has come to window the 600-odd indoor shows no less than the outdoor capers near the Scottish National Gallery which, originally epitomising an exuberantly overflowing abundance of creativity, now too often recalls a tatty collection of sub-Leicester Square huskers.

The fringe of course still throws up the solid theatrical event. The British premiere of an Arthur Miller work, for instance, should qualify. The Studio Theatre from America bring a stage version of his teleplay **Playing for Time** to the comfortable Netherbow Arts Centre in the Royal Mile; and the result is earnestly well-intentioned, more portentous than potent.

Fania Fenelon's story of how Mengele allowed a group of musical inmates to form an ad hoc orchestra at Burchenau concentration camp is one of the more grotesque footnotes to the Holocaust horror-story. They played the victims to the gas chambers, performed Beethoven as hospital patients were led to their death. Tensions between the prisoners (Jewish-Gentile, Poles versus the others) intensified the terror of knowing that survival depended on shaky instrumental abilities and the executioner's capricious taste for music.

Perhaps as a result of its TV origins, the play has its quota of duff lines. "There was more than a violin locked in that case; there was a life" is a fair sample. Here the acting is at the opposite pole from American naturalism at its superb best, we get self-conscious intensity so inwardly-directed (in the case of one important character) as to be inaudible even in this tiny auditorium.

Michael Leed's neat direction on a stage bare but for useful wooden blocks, has impressive moments. The women playing invisible instruments, the stylised death of two inmates on the electrified fence, the hanging of recaptured escapers. Otherwise, as so often, the truth contemptuously brushes aside paltry attempts to channel it into the conventional forms of entertainment. Chilling to see Mahler's niece murdered, to hear that the male inmates' orchestra has several members of the Berlin Philharmonic. Casual indications of a civilisation destroyed are more powerful than even the neatest well-made play.

Take the last exit to Brooklyn, go down mean streets and you come to the bar where the Iceman cometh never in Lanford Wilson's Balm in Gilead. Another British premiere, this is a student production by the Central School of Speech and Drama of astonishing assurance, speed and naturalness. The assorted hookers, hop-heads and no-hopers that people the stage cannot quite disguise the fact that this is familiar territory from theatre and film. Tony Falkingham's direcion evokes performances of conviction without the glowering self-consciousness frequently a concomitant of young actors being squalid. Not even the beautifully-judged variation in tone of pacing in what seemed like a 20-minute monologue could quite get Arkie Whiteley's account of a forlorn trip to get a (finally unused) marriage licence off the ground into the soaring lyricism that the author boned for. The fault is in the writing, certainly not in the promising playing and production.

How different, how startlingly different, from the stand-up Assembly Rooms. Nothing here your maiden aunt—even your Edinburgh maiden aunt—could blush to. Conventional stand-up routines using old mechanical aids (a working watch, recorded sound effects), a far cry from the frequently improvisational routines of their home territory. Amiable, slightly quirky (especially in the case of Fred Wolf who looks faintly like Frances de la Tour in a Van Dyke wig), unexceptionable.

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The set is beautiful: glass panels, and behind them a back wall of mirrors. This transparent corridor is lit from under the floor. Sibelius fills the gleaming twilight.

A man in a raincoat with a foot in plaster bobbles on and talks. Another man in red shoes makes great play with a pair of flimsy female pants which he keeps in his breast pocket. He also talks. A woman with calves padded to make her look like a comic-strip character talks. A pony-tailed girl in glasses, her movements gawkily doll-like, sticks out her behind and flashes what appears to be a hairy chest. She, too, talks.

French culture is getting its own back. It has sent the Theatre de la Salamandre to the Lyceum with *Le saperleau*. This farce, we are assured, is stylised and vulgar. It uses an invented nonsense language—the title is a blend of *père* and a common term of abuse—with acknowledgments to Lewis Carroll and *Finnegan's Wake*. The linguistic basis, however, is firmly and volubly French. Imagine the Gallic equivalent of *Jabberwocky* and you may picture the bafflement of a non-francophone audience without earphone translations or printed synopsis.

One must question the wisdom of bringing a play that depends so much on language—artificial and stylised, at that—to an unprepared public. My sympathies to the actors, a polished and ingratiating quartet. My cautions to the author, Gildas Bourdet, whose programme note is Gallic pretentiousness at its most resonantly, flatulently verbose. I am unsure as to how this serves to break down cultural barriers. The impression was of visitors from another planet.

My neighbour, a distinguished former director of the festival left after half an hour, noble brow furrowed with dignified reproach. I followed shortly after to the sound of unintelligible prolixity from the stage and seats tipping up in the auditorium.

## Ourselves Alone/Royal Court

**B. A. Young**

After two admired productions at the Theatre Upstairs, Anne Devlin's play has been promoted to the main stage of the Royal Court, with the same director, Simon Curtis, and designer, Paul Brown.

This theatre is very much a London shop window on Northern Irish politics, but *Ourselves Alone* is not so much a political as a feminist play. Ms Devlin is not holding up her women as shining examples, however. What the author shows is how, when we read of the men of Northern Ireland fighting one another for their respective causes, there are women at home who have to mould their lives according to a complementary pattern.

The women at the centre of the tale live in Andersons Town, Belfast. They are Josie, a courier for the IRA, her gadabout sister *Frieda*, and her sister-in-law Donna, who has a husband, long in jail, whom she seldom sees, and who anyway has a steady girlfriend. It is on Donna (Aingeal Grehan) that the pressure of this world of permanent conflict shows most, for she aims at being a domestic housewife with a baby upstairs, though Ms Devlin has allowed her a fling with a young musician at the end of the play.

Josie's first professional job is to interrogate a young newcomer, Joe Conran, fresh from England as a political adviser. The scene is admirably written and admirably played by Fiona Victory and Michael Feast (though it is odd that Joe can claim to have been at school both at Eton and at Ampleforth without raising an eyebrow somewhere). At any rate, Josie passes him as reliable, despite the shiftiness that Mr Feast so ably transfers from the words to his face and she is soon in bed with him in a Dublin hotel, despite her standing affair with Cathal O'Donnell, a high-up in the organisation.

Cathal sends Joe to Malta to collect a cargo of arms from the Libyans, but the ship is arrested by the Irish coastguards on the way back and the load is lost. Everyone concludes that Joe, with his English military connections, has tipped off the Irish Government. To add to the disaster, a police raid is reported at which some of the boys have been arrested. Frieda (a prettily wicked performance by Sylvestra le Touzel) decides to emigrate to England after a brick through the window has registered disapproval of her sleeping with a Protestant, and the others take to the hills. You might then say that the story was done; but what we have left all too poignantly is that the story never will be done.

As an agnostic Englishman, I take no sides in the politico-religious conflict, but the miserable lives of these women victims must inspire sympathy — more sympathy perhaps, if Ms Devlin had not made them so unchaste.



# Arts Week

Continued from Page 12

## Music

**PARIS**

**Anner Bylsma**, cello, Blandine Verlet, harpsichord: Vivaldi, Bach (Mon 7pm). Auditorium des Halles, 5 Porte Saint-Eustache.

**David Lively**, piano: One Hour with Brahms (Tue 8.30pm). Auditorium des Halles.

**Krakow Philharmony Orchestra** and choir conducted by Krzysztof Penderecki, Stanislaw Krawczynski conducting the choir: Penderecki Requiem (Tue 8.30pm). Saint-Eustache Church.

**Krakow Philharmonic Orchestra** conducted by Tadeusz Strugula, Stanislaw Krawczynski conducting the choir: Liszt-Psalm 118 and Missa Solemnis by Gran (Wed 8.30pm). Saint-Eustache Church.

**Erik Berchot**, piano: Liszt's transcription of Schubert's Winterreise (Thur 6.30pm). Auditorium des Halles. Concert and discussion.

All these concerts are part of the Paris Festival Estival. 24-hour taped information in English (4764 9080).

**LONDON**

**Toronto Symphony** conducted by Andrew Davis with Louis Lortie, piano. Mozart and Mahler. Royal Albert Hall (Mon). (589 8212).

**London Symphony Orchestra** and chorus conducted by Claudio Abbado with Alfred Brendel, piano. Brahms, Debussy and Bartok. Royal Albert Hall (Tue).

**Scottish National Orchestra** conducted by Matthias Barnett with Young Uck Kim, violin and Yo Yo Ma, cello. Brahms, Mussorgsky/Ravel and John Casken. Royal Albert Hall (Wed).

**BBC Symphony Orchestra** conducted by Günter Wand. Bruckner 5. Royal Albert Hall 8.30pm.

**WEST GERMANY**

**Berlin Festival** from Sept 1 to Sept 28 is devoted to Russian music with 10 ensembles from Moscow participating with German orchestras and artists. The first week sees the Berlin Radio Symphony Orchestra, the RIAS Chamber Choir, and Bernhard Wambach piano, conducted by Arturo Tamayo and Kaus Bernbacher with two Stockhausen pieces. (Mon).

**NETHERLANDS**

**Utrecht**, various locations. Holland Festival of early music. European ensembles and soloists, including the Tallis Scholars, Dowland Consort, La Chapelle Royale, and the Consort of Musicke, perform works by composers including Josquin des Prez, Couperin, Rameau, and Lully. The special festival production (Tue, Wed, in the Central Museum) explores the music of Erasmus's day, with commentary by the philosopher, and closes with a dinner. Festival all week (34 09 81).

**VIENNA**

**Vienna Hofburg Orchestra** conducted by Gert Hofbauer. Waltzes and light opera. Konzerthaus Mozart Saal (72 12 11). (Tue, Thurs).

**Haydn-Sinfonietta** Mozart Karlskirche. (Tue, Thurs).

**WASHINGTON**

**National Symphony** (Concert Hall): Mstislaw Rostropovich conducting Ives, Beethoven, Tchaikovsky (Thurs). Kennedy Center (254-3776).

**CHICAGO**

**Ravinia Festival**: Philharmonia Orchestra, Guiseppe Sinopoli conducting. Shlomo Mintz violin. Beethoven, Tchaikovsky (Tue); Schuber, Bruckner (Wed). Steve Reich and musicians. All-Reich programme (Thur). Highland Park. (728 4642).

## Opera and Ballet

**WEST GERMANY**

**Berlin Deutsche Oper**: 25th anniversary season. In honour of the 200th anniversary of Frederick the Great, Montezuma, for which he wrote the libretto, is offered to music by Carl Heinrich Graun, produced by Herbert Wernicke. Das Rheingold features Hanna Schwarz, Cheryl Studer, Hans Sotin, Matti Salminen; Die Walküre (Hanna Schwarz, Julia Varady, Catarina Ligendza and Matti Salminen); Don Giovanni (Gundula Janowitz and Peter Seiffert making their debut at the Berlin opera, with Cheryl Studer, Marie McLaughlin and Jose van Dam).

**Frankfurt, Opera**: Hans Zender's Stephen Climax is revived; Der Freischütz (Helena Doese, Barbara Bonney and Walter Raffeiner). Also Die Verkaufte Braut and Der Wildschütz.

**SPAIN**

**Bilbao**, season offers Faust with Alfredo Kraus and Mirella Freni and La Forza Del Destino with Mara Zampieri, Giuseppe Giacomini, Leo Nucci, Dimitri Kavrakos. Teatro Coliseo Albia (415 3954).

**VIENNA**

**Staatsoper**: Ariadne auf Naxos with Gruberova, Murray, Tomova-Sintov; Cav and Pag. (51 444/26 55).

**Volksoper**: Wiener Blut, Polenblut (51 444/26 57).

**NEW YORK**

**New York City Opera** (NY State Theater): The week is devoted to Sigmond Romberg's The New Moon with Leigh Munro as Marianne, Richard White as Robert and Richard McKee as Besac in Robert Johanson's new production conducted by Jim Coleman. Lincoln Center (870 5600).

**Out-of-Towners Series** (Dance Theater Workshop): The ninth annual invitational dance, mime and performance whirlwind features this week Los Trios Ringbarkus from Melbourne performing Rampant Stupidity (Wed-Thur). 19th St. w. of 7th Av (924 0077).

**Summer Stage** (Central Park): Free new dance series. Blondell Cummings, Cydney Wilkes (Wed); Sarah Skaggs, Stephen Petronio (Thur). Bandshell at 72nd St. 6 o'clock (397 3156).

**TOKYO**

**Sankaijuku**: Butoh's best-known avant-garde dance troupe, Paris-based, tour Japan with their art of marbled bodies and cosmic themes. Nihon Seinen Hall (Mon, Tues, Wed); Oya Quarry Utsunomiya City (one hour from Tokyo) on Thur, with its bowels-of-the-earth chambers, a mix of Greek temple and high European cathedrals, offers a rare chance to experience Sankaijuku in one of the most apt settings. Well worth the journey. Special buses available (406 0765).

**State Leningrad Kirov Ballet**: Swan Lake, NHK Hall (Wed); Giselle, Tokyo Bunka Kaikan (Thur). (235 3021).

## Saleroom/Antony Thorncroft

# Long live rock 'n' roll

Rock 'n' roll lives—at least it does in the saleroom. Sotheby's secured some extraordinary prices in its memorabilia sale yesterday. As usual it is the Beatles, and in particular John Lennon, that attracts the most fanatical bidding.

A booklet about the Beatles, produced in 1971 by Apple, to which Lennon took a great dislike, annotating it with comments giving his point of view, sold to an American telephone buyer for £20,900, way ahead of the £15,000 top estimate. On the cover he has re-arranged the order of the Beatles' names, putting himself first, Paul second, George third, with poor Ringo bringing up the rear.

The highest price of the day was the £110,000 paid for a 1963 Rolls-Royce Phantom V touring limousine, specially built with James Young of Bromley coachwork, for Elvis Presley. The price was above forecast, but the modest premium shows that even the "King" lacks the popular appeal of the Beatles. Presley's Patek Phillippe gold wristwatch made £6,820.

Among the gold discs, one awarded to Jimi Hendrix for "Axis: bold as love" did very well at £4,730, while a presentation gold disc given to Tony Bramwell, head of production at Apple, for his work on "Yellow submarine" made the same price. The Volkswagen Beetle which just happened to be captured in the photograph which formed the cover of the Abbey Road Beatles LP was on target at £2,530.

Scribbled sketches by Lennon, including portraits of the artist naked, want comfortably ahead of target at £4,400, while a jacket he wore in 1964 doubled its estimate, going for £1,760. It was one of many items bought by the Hard Rock Café, one of the largest collectors of pop artefacts, bidding through its several outlets. Seibu, the Japanese department store, was another traditional buyer among the minor lots.

A battered guitar, but the first owned by George Harrison, sold for £3,960 as against a £800 top estimate, while a good scrapbook dating from around 1962, with notes by all four of the lads and a rare playlist, also doubled its forecast at £3,520.

The fifth, or was it sixth, Beatle, Stuart Sutcliffe, is not forgotten, and a silver powder compact he gave to his girlfriend Astrid Kirchher realised £528. She sold many Sutcliffe items, including a photograph she took of her lover with John and George, which made £572. Two printed cotton Beatles dresses, with portrait beads of the group, exceeded expectation at £990.

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# Politics of conservation

THE SUDDEN awakening of all Britain's major political parties to environmental issues is too late to save the Large Blue butterfly or the spiny rest-harrow plant, which are now both extinct, but it may yet save the Cornish gentian and the great raft spider. For the politicians, however, the stakes are much higher. The environment, once a fringe issue, has become a subject of major public concern throughout Europe. Experiences in West Germany and Scandinavia indicate that a politician now *ignores* "green" issues at his peril.

The Labour Party this week made its bid for the green vote by announcing its wide-ranging proposals on the environment to be put to next month's party conference. The Liberals have long established their credibility on environmental and conservation issues, an advantage *recognised* and adopted by the Social Democrats.

### *Vociferous lobby*

Mrs Thatcher's Government, highly sensitive to the farming lobby in particular, was late in reading the runes. But once convinced of the electoral importance of the environment, particularly to younger voters, Mr William Waldegrave, the junior Environment Minister, was set to work on the problem. He at once started reversing some of the Government stances which had caused offence at home and abroad—the most notable step being an admission to Norway that British air pollution was after all causing serious acid rain damage in Scandinavia.

The problem for all the political parties is the extent to which the environmental issue has expanded in recent times to cover a myriad of controversies, ranging from nuclear energy and industrial pollution to farming policy and architectural conservation. Many of these subjects have nothing to do with each other but each has a vociferous lobby of opponents; each needs to be considered dispassionately on its merits but also as part of industrial and economic policy.

The Labour Party appears to have learnt this lesson, putting emphasis on research and advice to industry—*public* and *private*—as part of its long-term plans for comprehensive improvements to the co-existence of man and nature. A new ministry for environmental protection and two new environment agencies would be only part of a 10-year plan involving new roles for restructured local government, industrial and economic initiatives with an environmental bias and dramatic changes to countryside and farming policy.

*This is a much* broader approach than that of the other parties although Mr Waldegrave has started to tackle both industry, warning that the Government will legislate if industry fails to take conservation seriously, and the sacred Tory cow of agriculture.

Britain's post-war record of environmental issues under all governments has been generally poor—with the notable exception of national parks policy—and *slow to respond* to problems. Industrial sulphur emissions were dissolving buildings of outstanding beauty at home, such as Westminster Abbey, long before they started killing trees, fish and lakes abroad. If "green" issues play a large role in the next election the Labour and Alliance parties will have to convince voters that *their* substantial programmes are not just vote-catching rhetoric but could and would be implemented; the Conservatives will have to explain their very late interest in the subject.

### *Lost forever*

The trick for all the parties will be to find a way to deal with each of the environmental problems in a way which satisfies sensible public concern *without* promising an *ecological* paradise which would bring industry to a halt. On one set of issues, however, all parties would need to be resolutely convincing: their determination to control agriculture, conifer forestry and land drainage. In the last 40 years the British countryside has lost too much: more than 100,000 miles of hedgerow, largely through the development of prairie farms, 95 per cent of its hay meadows *and* the panoply of wild flowers they contained, 80 per cent of its chalk-down pastures, 40 per cent of its old woodlands, and more than half the heathlands and marshlands. Some flowers, animals and birds have been *lost* for ever. *This may explain* why the Conservative Party, which has more individual members than the other three major parties put together, has fewer members than the Royal Society for the Protection of Birds.

# Mrs Aquino needs to be firmer

PRESIDENT Corazon Aquino of the Philippines has been in Indonesia and Singapore this week, her first foreign trip since she assumed power six months ago. There appear to be two reasons for the visits. She decided to call on her Asian neighbours first, as opposed to the US which she visits next month, to emphasise her intention of weaning the Philippines away from an over-dependence on its former colonial power.

That the time has come for the Philippines to take full charge of its destiny is not in doubt, least of all in Washington, which retains a vital interest in the country's stability because of the strategically-located military bases there. Whatever role Washington may have played in tipping the balance against Ferdinand Marcos, the deposed leader, Filipinos ultimately decided the country's fate as surely as they will decide the future of the US bases when their *leases expire* in 1991.

### *Moral concern*

The second reason for Mrs Aquino's visits to Jakarta and Singapore is to demonstrate that she is in full control of the situation at home and that regional concerns about the stability of her Government are unfounded. Here Mrs Aquino is on shakier ground.

What is not at issue is her popularity. Mrs Aquino's strong sense of moral concern and her simple, honest manner evoke feelings of filial devotion among her people. What *was* an issue almost from the day her disparate coalition settled uncomfortably into power, and remains one today, is whether Mrs Aquino has the ability, the strength and, above all, the nerve to *govern effectively*.

In the first few weeks after her people's putsch, Mrs Aquino's deeper problems were concealed by universal relief that Mr Marcos had gone. The people savoured their rediscovered liberty and the Government was able to blame the country's pitiful state on 20 *years of Marcos misrule*. Expressions of concern that the Government appeared divided, that Mrs Aquino lacked a clear strategy and that detailed policies were taking too long to emerge were met with the plea: "Give us time."

Mrs Aquino's performance since then has not been disastrous, but neither has it been entirely encouraging. True, her coalition of generals, ex-Marcos men, campus radicals and ambitious technocrats has held together. A new constitution is being formulated to serve as the cornerstone of a new democracy; talks have been opened with the Communist New People's Army in an effort to end the 15-year-old insurgency, and a new, market-orientated economic policy is beginning to take shape.

At the same time there persists a feeling *that* Mrs Aquino is not fully *in control* of events. This was reinforced by last month's failed coup attempt by army-backed loyalist supporters of Mr Marcos who took over a Manila hotel. Although the two-day affair had *its* comic-opera side, its long-term implications for Mrs Aquino's fragile administration are serious.

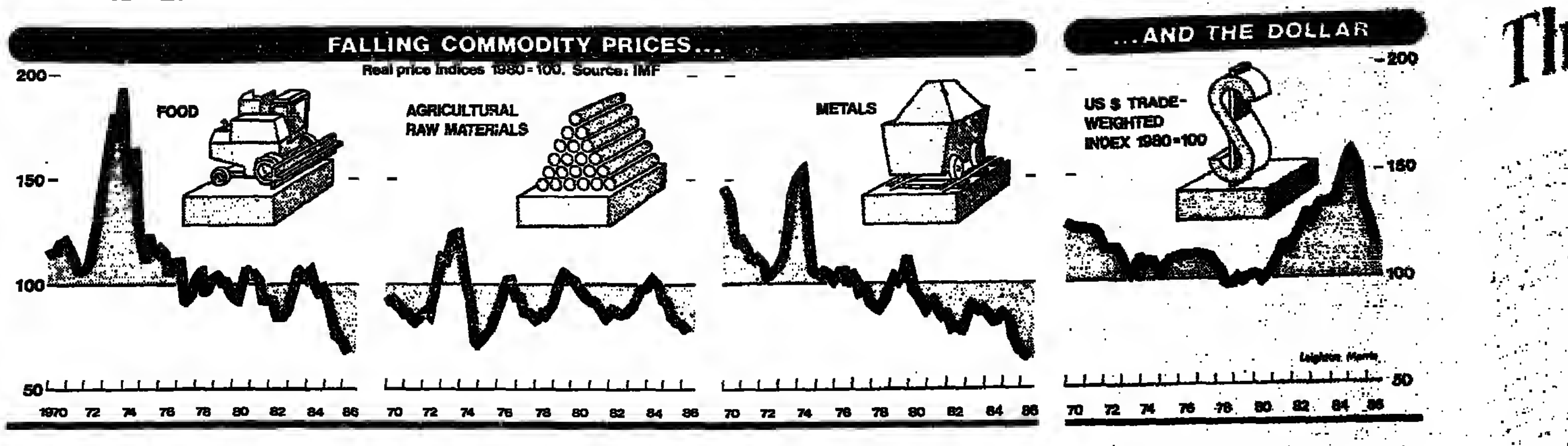
This was the second time in six months that the Philippine army had intervened politically. *Significant* elements *within* the armed forces have misgivings about Mrs Aquino's overtures to the Communists and may intervene again if she appears to be getting nowhere in her search for a settlement.

### *Best hope*

Open disagreements between Mrs Aquino's ministers over economic policy, the future of the US bases and political reform compound the uncertainty. More than ever Mrs Aquino presides over a coalition in which rival factions jockey for position in the run-up to the elections scheduled to take place after a new constitution has been put to a plebiscite.

Nobody under-estimates Mrs Aquino's remarkable achievements to date. She has rescued *the Philippines* from the brink of chaos and restored its people's dignity and self-esteem. She remains the country's best hope for a prosperous and stable future.

All that may not be enough. What is needed is for Mrs Aquino to show that she can not only seize power but also wield it to good effect. She will have an early opportunity after the legislative elections when she could reshuffle her Government to minimise faction fighting. In the meantime she could impose greater discipline on her Cabinet in an attempt to present a more coherent face to the world.




# An embarrassing abundance

By Max Wilkinson, Resources Editor

ALL THOSE grand predictions *of the* late *1970s* that the world was heading for a crisis of resources sound more and more like echoes *from* a distant civilisation.

In the last few months, international commodity prices have continued to plunge to historically low levels, and the shortages once predicted have turned out to be chronic surpluses, apparently resistent in many cases to erosion by economic forces.

For producers, in the Third World and beyond, with economies dependent on raw *materials* production, the collapse in prices is worrying as well as puzzling. The falls have been steeper, more widespread and more persistent than most of the international economic agencies had expected. This has led to a search for the more profound movements which have turned upside down the prospects for the world's natural resources in only a decade.

The most recent twist to this *puzzle is* the failure of the decline in the dollar since last March to produce the recovery of commodity prices, at least in dollar terms, predicted by most economists. With few exceptions, the opposite has been happening. *In some* cases, notably wheat, the decline has even accelerated.

In the three months to June, world food prices fell in real dollar terms to little more than a third of their peak in 1974. Average *metals* prices were less than half their peak level in real terms.

When the dollar was careering upwards during the first half of the decade, the weakness of commodity prices in dollar terms *could in part be* shrugged off as a currency effect. It was only to be expected that the major consumers in Europe and Japan would attempt to pay less in dollars to try to keep commodity prices *roughly constant* in their own currencies.

A careful study by the World Bank has shown that this was indeed happening, with an additional twist. The rising dollar increased the debt service burden *for many* Third World countries in their own currencies; they reacted by curbing imports and trying to push up their exports of commodities. This helped to weaken world commodity prices further.

It seemed commonsense that this process would move into reverse, however, once the dollar started to fall in March 1985. The World Bank and the Paris-based Organisation for Economic Co-operation and Development both thought this would happen, but so far they have been wrong.

Indeed, in its latest Economic Outlook in May, the OECD was still saying that it expected a substantial recovery in commodity prices by the summer as a result of the fall in the dollar. The rally may simply be delayed, but its failure to arrive on time has focused attention on the underlying weaknesses.

But perhaps the most striking aspect of the recent trend *is* that it is *against* the pattern of previous business cycles. On past form the moderate recovery of the industrial economies since the end of 1982 would itself have led to at least some revival in prices.

*Taking* the period *as* a whole, this has not happened, although it looked for a while as if a weak recovery in prices had started in 1983-84. However, in the first five years of the decade the average price of primary commodities expressed in Special Drawing Rights (the International Monetary Fund's composite currency) fell by 16 per cent. After allowing for inflation, prices of commodities other than fuel are lower now than at any time since the Second World War.

Even in May, before the most recent falls, the OECD was making a substantial downward revision of its forecast for world commodity prices in 1987. Since then, the United Nations *has* said in its latest World Economic Survey: ". . . the fundamental conditions for a significant and sustained recovery in real primary commodity prices are simply not there."

*The UN is particularly* worried by severity of the fall in the price of foodstuffs, because of the impact on Third World producers. Food prices have declined by an average of almost 15 per cent a year every year *since* 1980. However, although the agricultural sector has suffered most, hardly any commodity has been exempt from the general gloom.

The most obvious explana*tion* for the present oversupply of commodities is the excessive pessimism about shortages in the early 1970s (or optimism, in the case of producers looking at prices). Major investments were then made, for example in copper mining and aluminium smelting, which took no account of the slowing down of the world economy in the *wake of the two oil shocks*.

Since the first oil shock, economic recoveries have become *progressively weaker*, particularly in Europe, which accounts for more than half of the imports of world commodities. Growth in the seven major economies averaged 5 per cent in 1971-1972, then 4.2 per cent *in 1976-79*, but *only* 3.4 in 1983-85.

Not only that, but the growth of world trade has been proportionately less in each recovery period. This reflects the increasingly fierce agricultural protectionism of the EEC and the US as well as efforts by indebted Third World countries *to become* more *self sufficient*, even if it meant growing crops that cost more than potential imports.

At the same time, the need for raw materials like copper, aluminium and tin has been *diminished*, partly because of the use of substitutes like optical fibres, plastics and ceramics, and partly because more sophisticated designs can achieve more weight and strength with less material.

In addition, it has been found that more developed economies use proportionately fewer raw *materials* to fuel economic growth as they get richer. An increasing proportion of economic effort is put into services, while growth of industrial output depends more on computers and systems than on bulk commodities.

Another way of looking at this is that industrial production in the developed world was growing at a spanking average rate of over 6 per cent a year in the 1960s falling to only about 2 per cent in *1973-79* and then declining by 0.4 per cent a year between 1979 and 1983.

A recent study by Sir Roderick Carnegie, chairman of CRA, published by the Group of Thirty, a collection of emminent people, suggests that growth in an economy's demand for *metals starts to slow down* when per capita incomes reach the relatively low level of $5,000.

Against these factors depressing demand must be set the rapid strides which have been made in techniques for extraction of minerals. More powerful diesel engines, larger machines and better transport have enabled mining companies to exploit large open cast sites, many of them in developing countries.

The influence of new technology has been most evident in agriculture where spectacular advances have been made in the last two decades in developing new strains of crops, fertilisers, as well as better farm machinery and other techniques. For example, grain yields in the UK have doubled from 4 tonnes to 8 tonnes per hectare in the past 20 years.

As the World Bank notes in this year's World Development Report, Robert Malthus's gloomy warnings in the early 19th century have proved dramatically wrong. The world has been able to produce all the food it needs, with real wheat and sugar prices on a generally downward trend for most of this century. The problem is not a global shortage of food but that those who are *starving* lack money to buy it.

The longterm nature of these trends is strikingly illustrated by a World Bank calculation which shows that the price of all groups of commodities from foods to metals has been declining by about 1 per cent a year in real terms over the last 35 years.

This immediately raises the question: if it had been going on for so long, why did not anyone notice before? In the late 1960s and *1970s*, the alarmingly fast rise in commodity prices was not just the talk of experts; it was the *common* gossip at dinner parties and it influenced investment decisions which in global terms amounted to many billions of dollars.

One answer is that there were periods when commodity prices were pushed up rapidly by the classic cycle of shortage and glut. Some people no doubt mistook the temporary rise in 1973 for a long-term boom. But a deeper confusion with introduced by rising inflation and changes in the dollar's value.

The first error was for deve*loping countries* to *increase pro*duction in response to rapidly rising prices, not realising that world inflation was gathering pace and would cancel out the increase in "real" terms.

Then, as inflation started to take hold of the world in the 1970s and ran ahead of nominal interest rates, the increase, in the value of stocks resulting mainly from inflation was greater than the interest charges on money borrowed to buy them. This led to a rise in demand for most commodities which could only continue so long as purchasers continued to build up their stocks.

Since the early-1980s, falling inflation and high real interest rates have pushed up the cost of holding commodity stocks dramatically. At the same time, the abundance of large supplies has meant that in most cases company stocks are no longer needed.

Unfortunately currency movements were confusing price signals both to producers and consumers just at the time that lower inflation was causing a sharp run down in stocks.

Many Third World countries have been forced — or encouraged by the International *Monetary Fund* — to *devalue* their currencies as part of programme to correct balance of payments problems and reduce indebtedness. The immediate effect of devaluation was to raise the price of the country's commodity exports in terms of local currencies. So, in many different countries, farmers and other producers received a signal to step up production, even though nothing had happened to world demand.

This was compounded by a similarly perverse effect on demand for basic commodities *in the industrial world*, particularly in Europe. As the dollar appreciated, the cost of commodities rose in terms of those currencies which were weak against it, for example the D-Mark. This increased the in*centives to economise and find* substitutes. Even though commodity prices eventually adjusted to compensate for the dollar's rise, there was a significant lag, and the adjustment was not perceived by traders and *industrialists*.

Some of these effects are only now being teased out of the historical record by the World Bank, the IMF, the OECD and independent analysts. It is not surprising, therefore, that they were obscure to traders, producers and buyers in a period of enormous and financial upheaval.

This goes some way to explain why the world commodity markets have adjusted poorly to longer-term trends at a time of rapid financial changes. As the United Nations Conference on Trade and Development has said: "No automatic mechanism exists which would constrain the volume of commodity production in a period of oversupply on the world market when *domestic prices* are significantly influenced by monetary factors in addition to reflecting the supply and demand balance on the world market."

This judgment is, in effect, the formal obituary on the 15 international commodity agreements which tried and failed to stabilise the prices of 11 different commodities in recent years. The fact is that it is nearly impossible for anybody to establish what a stable price would be or to guess whether any deviation represents part of a new trend or a temporary fluctuation.

That lesson has now been generally learned. However, the instinct of governments and indeed agencies like the World Bank to support new schemes remains. These subsidies make it *easier for new production* to start up. But governments then protect producers who would be too inefficient to compete in a free market.

The response of a Conservative free market government in the UK to the collapse in tin prices is particularly instructive. When Cornish tin mines became obviously uneconomic, the Government's response was to subsidise a scheme which will actually increase output and could only make a profit if the price were to rise substantially.

It is hard to imagine Third World countries being tougher or more realistic. So commodity prices will be slow to recover. The winners, of course, will be the rich nations which will get cheap raw materials and lower inflation than perhaps they deserve.

# Men and Matters

## MacGregor takes a City job

At 74, when most successful businessmen are content to grow their roses, Sir Ian MacGregor, who retires from the chairmanship of the National Coal Board *this week*, has been champing at the bit looking for new challenges.

Sir John Nott, chairman of merchant bank Lazards, who reckons he can spot a good runner, has promptly invited MacGregor to become a non-executive director of the bank. The job dovetails neatly with MacGregor's partnership in Lazard Freres the US bank which is linked with Lazards of London.

MacGregor has a house overlooking the Crinan Canal in western Scotland. There are *more* single malt whisky distilleries within ten miles of his *base than a* Scotsman at Hogmanay could dream of.

So will MacGregor become involved in one of Lazard's immediate high profile assignments—advising Lord Iveagh, president of Guinness on the matters concerning his company's takeover of Distillers which will come to a head at an extraordinary general meeting in two weeks time? It seems very likely.

Longer-term, Lazards clearly values the industrial expertise that MacGregor will provide. The bank worked closely with MacGregor when he was chairman of British Steel—and Lazards advised on the steel reorganisation schemes.

"And does it fit the present youth cult in the City of London to be hiring a man of 74?" I asked Nott. "I believe MacGregor has the energy of a man of 20" he replied crisply.

## Selling London

What do *most* visitors to London look for first? That indispensable guide to the capital's labyrinth, the A-Z street guide which, intelligently perused, relieves you of the responsibility of talking to a *stranger*.

The A-Z is probably a national institution at 50 years of age. It all began in 1936 when Phyllis Pearsall (Roedean, the Sorbonne, and daughter of a geographer) formed the Geographers' A-Z Map Company. The guide was born, but she didn't take it really seriously until some years later.

She had other interests, painting and writing. She has exhibited at the Royal Academy and in France and the US.

But it was mapping the streets of London which has kept the money rolling in. In 1965 she formed Geographers' Map Trust giving the company's shares to her employees. Though she remains as chairman, she has given up claims to power, dividends, and pension.

Jubilee celebrations will be centred on an exhibition of her paintings, drawings, etchings, and books, and, of course, maps. *Commons* Speaker Bernard Weatherill will open it next Tuesday at the Royal Geographical Society.

To show that the company is still going in the right direction, it has just issued news of its latest publications — guides to Blackpool, Bournemouth, Cardiff and Norwich, to name but a few. There are others in the pipeline. It looks as if Phyllis Pearsall, at 80, will never walk alone.


"Oh, I belong to Somerset *where the cricketing rows do grow* . . ."

## Lively leaders

Since a group of Chinese provincial newspaper editors decided recently, during a discussion, that the republic's press is boring ("too many mundane stories on front pages") a paper revolution seems to have started.

Papers which generally flow with exhortations to build the motherland and support "the four modernisations" have switched to publishing cartoons, including notable examples lampooning the Chinese leader Deng Xiaoping, and the communist party boss Hu Yaobang.

*The* diminutive *Deng*, a *bridge* fanatic, is shown with cards in hand playing what the caption calls his "China card." He has a very large head and a quiet smile—presumably he holds a strong hand.

A cartoonist, obviously drawing the party line, has pictured Hu with arms outstretched like a US politician calming a fanatical crowd of the party faithful at an election rally.

The Western-suited Hu is said to be, "leading us in the singing of a new song," or at least that's what the caption *claims*.

Diplomats and China-watchers are drawing conclusions.

## Bar ballads

Anyone dropping in to the Battersea Show Palace pub in south London for a quiet drink in future must expect to face some unexpected happenings as *well*.

One moment the bar staff will be pulling pints. The next moment they will be parading on top of the bar as a chorus line singing one of the hits from a current West End musical.

The Battersea Show Palace is the latest attempt by the brewers to pull in customers. It is modelled on the lines of establishments in the US where the aim is to create a New Year's Eve party atmosphere every night.

The tenant, Rowley Hill, has spent £130,000 building a bar which doubles as a stage. And he has recruited 12 professional dancers to do their stuff four times a night when not serving drinks.

The dancers love it. They are paid above the Equity minimum rates to work on short contracts.

If Hill can get 1,500 customers a week who are prepared to stump up a £2 entrance fee for an evening's entertainment he reckons he will be in profit by going into show business.

## Welcome sanction

*The IPCS Bulletin*, the *journal* of the union for Civil Service scientists, tells of a fresh blow against *apartheid*.

Union members at the transport and road research laboratory have refused to work with their South African opposite numbers on proposed joint research.

Together they were to have investigated car-wheel clamping.

## Booked!

*Dillons*, the London bookshop, believes in taking the battle into the enemy's camp.

Outside the mighty Foyles bookshop in Charing Cross Road, London a poster has gone up in a bus shelter: "Foiled again? Try Dillons."

***Observer***

BRITISH JUSTICE

# The Law Lords' alarming pragmatism

By A. H. Hermann, Legal Correspondent

BRITAIN'S nine Law Lords—the Judicial Committee of the Upper (and weaker) House of Parliament—do not attract the public's attention in the same way as the Supreme Court of the United States. No-one doubts that the Supreme Court makes law and occasionally even rewrites the Constitution, but the Law Lords are expected merely to discover from precedent and statute what the law is. This may be the reason why recent and important changes in their policy and methods have passed almost unnoticed.

However, the Law Lords not only make lew, they also exercise an enormous influence on the lower courts. The judges' role is fast expanding: they are being more and more involved in politics and business, reviewing administrative decisions, deciding union demarcation disputes and dealing with problems, as well as legalistie obstructions put in the way of acquisitions, mergers and the operation of the City.

Four recent judgments of the Law Lords have caused alarm in legal circles on the grounds that they have been seen as excessively pragmatic. Critics argue that the Law Lords choose to provide "practical" — or politically convenient—solutions without paying enough attention to the long-term consequences for the system of law, its predictability, and the confidence it enjoys.

Last December, the Law Lords departed from the principle that foreign nationalisations and sequestrations cannot have effects in the UK which are contrary to British public policy. Dealing with an interlocutory appeal* in a case concerning the takeover of the Rumasa group by the Spanish Government, the Law Lords assumed that it was compulsory acquisition rather than confiscation. This was before a trial court could make such e finding, and did not allow the appellants to plead—and perhaps to prove—that the takeover was in fact confiscation without compensation and, therefore, contrary to English public policy.

The Rumasa decision has been severely criticised† for undermining the prospects of dispossessed shareholders of a foreign company which has property in the UK.

The public's understanding of law has been also severely tested by the Lords reversal‡ in March this year of a lower court decision which granted BL copyright protection for its exhausts. It was not the end-result but the reasoning which was questioned. The Law Lords upheld the copyright protection of functional designs for the life of the designer and 50 years thereafter—considered an absurdity by those who can obtain only 20 years patent protection for proved inventions, and criticised in the 1977 Whitford committee report and in the dissenting opinion of Lord Griffiths as a judicial distortion of statutory law.

Instead of removing this distortion, the Law Lords attempted to temper its effect by formulating a new principle of law, that the copyright owner must not interfere with the car owner'a right to have his car repaired. From this, the majority of the House of Lords concluded that anyone wishing to produce and supply spare parts to a car owner wonld be exempt fro mthe copyright restrictions which they had just upheld.

More recently, in May and June of this year, the Law Lords cast doubt on the principle of criminal law that, with a few specific exceptions, no one can be punished unless proved guilty of prohibited behaviour, and only if such behaviour was intentional or reckless. In the first of two decisions,§ reversing their own judgment of barely a year ago, the Law Lords held that a person who bought a cheap video recorder from its owner was guilty of a criminal attempt if she believed that the recorder might have been stolen, though it was not.

In the second decision,‖ the Law Lords held unaimously that a pharmacist who supplied controlled medicines against two forged prescriptions, honestly and reasonably believing them to be genuine, should nevertheless be convicted because the Medicines Act 1968 does not say that, for an offence to be committed the pharmacist must perform the prohibited act nowingly.

These four decisions have certain common characteristics. In each ef them, the Law Lords followed a narrowly defined alm of policy. In the Rumasa case, it was the maintenance of good relations with a friendly government; in the cases dealing with an impossible


criminal attempt and an unintentional offence, easier prosecution of drug pedlars; while in the design copyright case, they attempted to let the motor industry have their copyright cake at the same time as manufacturers of "imitation" spare parts were able to eat it, with the newly invented spoon of "repair rights."

This new legal pragmatism represents a radical change from the method of strict literal interpretation which the Law Lords practised under the leadership of Lord Diplock in the early 1980s to countervail the "creativity" with which the Denning Court of Appeal was ready to develop law to meet new social and business needs. When Lord Denning proclaimed that the supreme task of the judge was to speak justice, the Law Lords retorted that judges were not legislators and must accept and enforce existing law however silly, absurd or unfair it might be. Though they still profess it, they no longer seem to believe in this sort of naive positivism, which pretends that statute and precedent provide a complete solution for all problems and that the only task of the jodge is to find and pronounce it.

After Lord Denning's retirement in 1982, followed by that of Lord Wilberforce and the death of Lord Diplock last year, the Law Lords seem to have swung to the opposite extreme

The accelerating pace of social change lends a new urgency to the old question: what is law?

Half a century ago, an answer was attempted by Hans Kelsen, the Viennese judge and law teacher, in a slim volume published in 1934 under the title "The Pure Theory of Law." He thought law was neither a static, ready-made set of rules, nor an instrument of political expediency, nor a near reflection of e natural or revealed morat code. It was, he said, a coercive order of rules arranged as a pyramid, constantly creeted and recreated at each level by legislators, officials, jodges and even individual eitizens acting within the limits and authority of the law.

Kelsen's definition of law as a hierarchical order is easily understood in countries with a written constitution and codes of civil, criminal and commercial law adopted during tha 19th century. Lawyers nurtured by the varied stream of common law find it more difficult to accept

The understanding of the dynamic concept of law has now been made easiar by Professor Ronald Dworkin, who straddles the two great common law jurisdictions, with one foot in New York and the other in Oxford.

In his recently published "Law's Empire," Dworkin expounds his view of law as an "integrity," obliging the judge to "fit" his decision within the framework of superior rules, hlending their substance out of convictions abont fairness, justice and procedural due process. He rejects naive positivism which imputes to past judges and legislators the will and ability to determina legal problems which did not exist in their time; and be also rejects legal pragmatism, by which the judge assumes an unrestricted policy-making role.

Principles of law viewed as a comprehensive system may, of course, leed different judges to different decisions. but these can all be perceived as voices in an ongoing discussion which bring law into harmony with democratic political morality. As Dworkin puts it, an infinitely patient and erudite fictitious judge whom be calls "Hercules" would base his decisions on such an integral aystem of law eminently suitable for a community of free and independent people who disagree about political morality and wisdom.

Are the Law Lords equipped ofr soch a Hercutean task? In contrast to the justices of the US Supreme Court, surrounded by legat assistants, researchers and secretaries, they do not have even one secretary.

In spite of this, the Law Lords have so far exercised great infinence on the courts in the entire common law area by the strength and fullness of their judicial reasoning. There is now a danger that this influence will be weakened because they are moving towards e single judgment of the continental type instead of the tradition of separate opinions delivered by each of the five Law Lords.

The single-judgment has distinct advantages for the tower conrt judge or for the legal adviser who looks for a clear-cut decision of a superior court, readily epplicable to the drafting of a contract or resolution of a dispute. However, its adoption has heen criticised by some English lawyers. They argue that a single opinion cannot explora and determine the law governing the solution of legal problems in the aame hreadth and depth as five opinions, converging in the same conclusion or expressing dissent, but always based on a wealth of individual judicial experience. It is also thought that a plurality of individual philosophies may better reflect the citizens' concepts of law, justice and fairness, than an emasculated compromise.

Those who criticise the transition to a single judgment can now point their finger at a series of decisions which appear to challenge certain fundamental assumptions of English law in an almost light-hearted fashion. In the absence of a strict division of legislative, executive and judicial power, as in the US, democracy in the UK rests on free, wide-ranging and intelligent discussion; and so, critics say, should the UK's judge-made law.

* *Williams & Humbert v W & H Trade Marks (Jersey) Ltd, Rumasa v Multinvest [1986] WLR 24.*

† *By Dr Francis Mann [1986], LQR 191-197.*

‡ *British Leyland Motor Corp v Armstrong Patents Co, FT Commercial LR, March 3 1986.*

§ *R v Shivpuri, TLR, May 16 1986.*

‖ *Pharmaceutical Society of Great Britain v Storkwain Ltd, FT Business Law, July 3 1986.*

*Ronald Dworkin, Law's Empire, Belknap Press, Harvard, 1986.*

Lombard

# Standards in the Square Mile

By Richard Lambert

DREADFUL husiness, isn't it, the way that standards are falling in the City of London? Time was when dealings eould be conducted on the basis of mutual trust; when integrity really meant something, end could not he bought for money. Nowadays, you just about have to hire a tawyer to huy a hus ticket. Insider dealing is rife, so that scarcety a takeover goes by without a leak showing up first in the share price. And the wholesale poaching of employees at all levels hes destroyed any sense of corporate values or identity.

Well, yes. Before getting too misty eyed about golden ages gone hy in the Square Mite, let's spare a thought for Spencer Balfour. four years in Parkhurst from 1895, and the man for whom the Building Societies Act of 1894 was designed. Rememher Clarence Hatry, or the unhappy Lord Kytsant, chairman of the Royel Mail Steam Packet Company, who was sent down for 12 months in 1931 for issuing a false prospectus. Or for those with shorter memories, how about the secondary banking crisis—in particular the affairs of London and County and the Crown Agents—which showed that all kinds of shabby practices had been tolerated until the money ran out?

You might reply that these were special cases, and that every generation has its share of bad eggs. Yet it was not so long ago that insider dealing was not frowned on at all — indeed, it was what made the life of a non-executive director worthwhile. People used to ba a lot less stuffy than they are today about having the company chauffeur do a spot of gardening.

The fact that lawyers play a much more visible part in daily business tife stems not so much from falling standards as from two important changes in the business climate. One is cyclical, and the other is of a more lasting nature.

In stable financial markets, peer groups exert a much more powerful pressure than is possible in more volatile circumstances. People know each other, and understand the kinds of behaviour which different firms expect of their staff. Brash intruders find it harder to hreak their way into the mainstream, and to build up a fortune hig enough for them to pull up sticks and move on if life gets too hot.

Contrast in this respect the etmosphere of the Sleter Walker period — when paper fortunes were built on the back of inflated asset values and fund managers liked to call themselves gunslingers — with the austere period of the mid-1970s, when boring was beautiful. The bull market of the past few years has, like others in the past, created excesses.

Indeed, it may well be that business conditions create their own standards of morality. During the 1970s, high levels of taxation, exchange controls, and rapidly rising inflation led decent people to tolerate and even encourage practices in Lloyd's which to the rest of the City end the outside world would have seemed outlandish.

This leeds on to the second, and more fundamental, explanation for changes in City hehaviour. Lloyd's was ahle to manage its affairs in its traditional way when it was a small, closed society. When its memhcrship douhted, and then trebled, things went haywire.

Club rules work well if all the senior members know each other and have a vested interest in maintaaining the status quo. Until quite recently, many senior people in the City would heve known each other for years, often from school days, and could spot a rotter from 50 yards. Since the place was divided up into a series of profitable cartels, they could exert their own — sometimes arbitrary—standards of discipline.

Deregulation is bringing important social and cultural changes. International firms with no stake in the old way of doing bnsiness are emerging as formidahle competitors in the market place. Relationships are becoming much more transactional in nature, with clients shifting their business to whichever firm happens to be the market leader in a particnlar service. Club rules are no longer adequate.

Things are different, all right. But it is business conditions, rather than standards of morality, which have led to the changes.

## Letters to the Editor

### Agencies for the regions

*From Mr Tim Melville-Ross, Chief General Manager, Nationwide Building Society*

Sir, — It is a pity that the article on regional development agencies (August 27) by Chris Moore and Simon Booth begins by knocking the idea that such agencies might succeed in England following the success of the Scottish Development Agency. Later on the article acknowledges much of the rationale for agencies in England, and suggests some of the issues that still need to be debated.

The Urban Investment Review Group which I chaired went into this issue in some depth, and concluded that regional development agencies would work well in some parts of England for the very reasons that the article suggests would cause them to fail.

It is precisely because there is no single responsible Department in England (like the Scottish Office) thet a unifying agency is needed which would have overall responsibility for regional development, and through which various Departments (Environment, Transport, Trade and Industry, Treasury) would have to work. It is because there are very strong regional identities in the North West, the North East and the Midlands that we felt agencies would work well there.

Dealing specifically with urban regeneration, the Government's present thinking is more in the direction of creating a series of pnblic-sector-led urban development corporations rather than relying heavily on private-sector enterprise trusts.

Nevertheless, the Government rightly recognises the crucial importance of bringing both public- and private-sector resources to bear on the problem, and I do not believe that this is any longer a significant political issue.

The balance of resources will be argued. but the principle of partnership is accepted across most of the political spectrum. But the authors of the article are right in saying that the problems of the inner city cannot be resolved in isolation from the regional economy, another powerful argument for regional development agencies.

Tim Melville-Ross.
*New Oxford House,*
*High Holborn, WC1.*

### Incentives north of Watford

*From Mr A. J. M. Price*

Sir, — So unemployment is up yet again however government manages to massage the figures.

Little wonder, for where can we look for hope? Robotics and high technology reduce the need for workers. Old-fashioned trade unions like TASS discourage employers from venturing into fresh employment, as indeed does the rather one-sided tribunal system.

Imports continue to pour in unabated. Let's face it, the unemployed can only afford low-cost imports in a lot of cases, so the position is bound to get worse.

Yet south of the divide there lives a totally different world. An affinent society that knows no recession. It is north of Watford where manufacturing industry has withered or died. At no time has there been such a divided society.

Sadly many politicians look south and genuinely think that all is well. Whole communities cannot be moved to the affluent south, so isn't it time to create some real inducement for people and businesses to move north? I don't mean vacuum - creating enterprise zones which do so much harm to the neighbouring areas. But real tax incentives to take industry, commerce and jobs into the areas where they need them most.

A. J. M. Price.
*Arthur Price of England,*
*Britannia Way,*
*Lichfield, Staffs.*

### Gut feelings on unemployment

*From the director of the Employment Institute.*

Sir,—Gut feeling and crude generalisation are no test of the objectivity of statistics. From tha tone of Mr McKinnon's letter (August 22) it eppears that he will only be convinced hy figures which suggest that the magnitude of the unemployment prohlem is considerahly less than revealed by the monthy unemployment count.

Unfortunately, the hard evidence is ell against him. Take, for instance, the Department of Employment's own Labour Force Survey. This takea the trouble of asking specifically about the availability of the unemployed for work and their efforts to find it.

Many would suggest its criteria are rather harsh. Nevertheless, the 1985 Survey (covering 50 times as many households as the report for the Committee for Research on Public Attitudes) found that 3m people had been unemployed and actively seeking work in the reference month.

It suggested that a million people claiming benefits (and hence in the monthly count) had not taken positive steps to get a job in that period, but that they were nearly matched by 800,000 people not covered by the official unemployment count hut ectively seeking work.

I sympathise with Mr McKinnon's personal recruitment problems. Others could relay similer stories. But they need to be considered alongside thousands of other situations where the position is dramatically reversed: hundreds of individuals queuing for single vacancies.

The continued prominence given to unemployment by the leading employers' organisation, the CBI, in its policy submissions is ample proof that many of those in business are deeply concerned and aware of the scale of the problem.

More research on unemployment is certainly needed. Thet is why we and similar organisations exist. But research must be subject to critical examination—and I have to award a failure mark for presentation to the work carried out for the Committee on Research into Public Attitudes.

Jon Shields,
*Suite 107,*
*Southbank House,*
*Black Prince Road, SE1.*

### Industry funding for research

*From the Vice-Chancellor, University of Southampton*

Sir, — Your correspondent Philip Stephens avers ("Industry foots a vital bill," August 21) that "Britain's academics and industrialists . . . peer suspiciously at each other across a chasm of mutual distrust."

I invite your readers to visit this university's exhibition "Working Together" (September 19 and 20) where we will give the lie to that judgment.

The exhibition is being organised in Industry Year to demonstrate the fruitful cooperation which exists between my colleagues here and a huge and growing range of industries for whom they conduct research.

To give some idea of the value of this funding for researchers here, in the last academic year almost a third of the £46m of this university's income was earned by research contracts and grants. Of this, more than 20 per cent came from industry and commerce—a higher proportion than the figure instanced by Mr Stephens for comparahle American institutions.

Dr Gordon Higginson.
*The University,*
*Southampton, Hants.*

### Cost of living in South Africa

*From Mr O. C. Wigmore*

Sir, — Your excellent newspaper still fails to report fairly when it corrects an earlier statement that the minimum wage here is equivalent to £135 a month.

First, many South African workers receive free or subsidised accommodation, often with free food and working clothing. Then, prices here are often mnch lower. Taking, as you have, an exchange rate of R3.90=£1, topside beef is currently 78p a pound, cigarettes 23p for 20, petrol 99p a gallon, and I can buy a standard office shirt for £8.40.

As a white pensioner, I receive a company pension of £317 per month and maintain e good standard of living in our own house, with car and part-time maid. Whisky is £3.75 a bottle!

You will gather that, as I found in Britain last month, the current exchange rate is politically weighted and that a a truer figure would be R2.50=£1.

O. C. Wigmore.
*46, Lourensford Rd,*
*Somerset West,*
*7130 South Africa.*

### Still showing its mettle

*From Mr Ian Young, Managing Director, Archibald Young (Brass Founders)*

Sir,—The article by Tony Jackson in your Home Towns series (August 22) while light-hearted and humorous, contains one major inaccuracy which I should like to correct.

Mr Jackson, in revisiting the town, indicates that with the demise of the Lion Foundry in 1984, the last foundry in the district had closed. This is most certainly not the case.

In 1959, when this company was formed, Kirkintilloch was basically a foundry town with four foundries occupying sites around the town centre. The other three have closed in the intervening 26 years hut Archibald Young (Brassfounders) Ltd has continoed to develop end expand and provides employment for several former employees of the other local foundries.

We are presently the largest non-ferrous foundry in Scotland in terms of numbers employed, producing castings using traditional methods and maintaining the craft and skills for which Kirkintilloch is justifiably famous. As one of our employees remarked on reading your article: "How wrong can they ba? It's the best that's leit." My sentiments exactly!

I. R. Young,
*Milton Road,*
*Kirkintilloch, Glasgow.*

FINANCIAL TIMES

Friday August 29 1986



# UK group to cut price of Greek cement

**By Andrew Taylor in London**

SEAMENT UK, the privately owned company established by two Lebanese brothers to import cut price Greek cement into Britain, is to charge 7 per cent below the British manufacturers' base price.

Seament UK said yesterday it will also offer discounts to customers buying larger quantities. British producers are barred from offering similar discounts under a commoo pricing agreement operated by the sole three British cement manufacturers: Blue Circle, Rio Tinto-Zinc and Rugby Portland.

The agreement is currently being investigated on behalf of the Office of Fair Trading to see if there are grounds for referring it back to the Court of Restrictive Practices. A report by accountants Deloittes Haskins and Sells was expected to be presented to the OFT by today.

The common pricing agreement was cleared by the Restrictive Practices Court in 1961 and 1974.

Seament UK bas acquired a fleet of 20 trailers to make deliveries to customers in a radius of 30 to 40 miles around its two permanently moored floating cement silos at the port of Liverpool in the north-west of England and at Tilbury on the River Thames.

The price differeotial between the imported Greek cement – £39.75 ($58) – and that produced by Britisb manufacturers – £42.90 ex-works – narrows once delivery cbarges are taken into account.

Seament UK, for example, expects to charge £41.75 a tonne for cement delivered to customers within a five mile radius of its silos. The equivalent five mile delivery cost of British produced cement, under the common pricing agreement is £43.24 a tonoe – a difference of only 3.4 per cent.

The British Cement Makers' Federation said last night: "The difference on the basic delivered price would not appear wide enough to persuade large numbers of customers to switch to imported Greek cement. We are more worried about the level of discounts which may be offered to larger customers."

Seament, which says it initially plans to import no more than 300,000–400,000 tonoes of Greek cement a year, says it is negotiating with a number of potential customers but has yet to sell any of the cement it has brought into Tilbury and Liverpool.

Imports accounted for less than 3 per cent of Britisb cement deliveries of 13.5m tonnes last year. Last month the European Commission ruled that although dumping by East German and Polish manufacturers had taken place, it was so minimal it did not represent "an imminent threat of material injury to the manufacturers in the UK"

British producers, however, say that they fear importers will build on their small beginning

# BankAmerica plans sale of Argentine branches

**BY TIM COONE IN BUENOS AIRES**

BANKAMERICA, the troubled US banking group, is to scale down its retailing operations in Argentina by selling balf of its branches in the country.

Negotiations are under way with Citicorp, the largest US banking group, for the purchase of 30 of Bank of America's 60 retail branches, although according to Mr Rodolfo Mon, vice president of Bank of America in Argentina, "no definitive deal bas been worked out yet."

Bank of America, of which BankAmerica is the quoted holding company, attempted a major expansion of its retail hanking operations in Argentina, with the purchase of 61 hranches of the failed Internatiooal Bank in 1981, for $150m, a figure which Mr Mon said was "expensive and has been a beadache ever since."

An increase in its ranking in the Argentine banking system failed to materialise, and Bank of America dropped out of the top 20 by the end of 1985 after ranking 12th at the end of 1984. Deposits held by the bank stood at Australes 77m ($78.5m) at the eod of 1985. Like the other big US banking groups, Bank of America still holds a substantial share of Argentina's $50bn debt.

Citibank ranked 15th in the Argeotine banking league at the end of March this year with deposits in local currency of Australes 119m. It has 22 hranches in the country – 15 in the capital.

The bank confirmed that negotiations with Bank of America were taking place, although it would not give details of the number of branches being sought or the likely price of the transactions. But it was confident of an important expansion of its retail banking activities, Citibank said.

Mr Mon said that the decisioo to sell off the branches "is not directly linked" with the troubles facing the parent group. "It is more a local initiative related to the possibilities of the market in Argentina."

Bank of America bas begun investing in on-line terminals and is to offer a wider range of customer services at the beginning of next year with the introduction of automatic self-service tills and credit cards.

"By concentrating on fewer branches which are aimed at the upper end of the market, we could make better use of our resources," Mr Mon said.

# BP withstands lower oil price and lifts earnings in quarter

**BY LUCY KELLAWAY IN LONDON**

BRITISH PETROLEUM yesterday announced after-tax profits of £475m for the second quarter, £18m higher than the same period last year measured on a replacement cost basis.

The company's strong performance shows it has so far been able to withstand the effect of lower oil prices. Severely dented profits from oil exploration and production bave been offset by much better profits in the downstream activities of oil refining and marketing.

The City of London, which was pleasantly surprised earlier this month by good second-quarter figures from Royal Dutch/Sbell, was well prepared for an encouraging result from BP. Its shares, which have risen by nearly £1 in the last fortnigbt, yesterday closed down 4p at 666p.

The company yesterday warned the outlook for the rest of the year was uncertain and that cuts in its exploration and production expenditure would be necessary. BP has cut its planned exploration budget for the year by about 30 per cent to £1.1bn, mainly in the US, where its ailing subsidiary, Standard Oil has already announced cuts of about 50 per cent.

Mr David Simon, managing director, said yesterday that although the oil price had apparently stabilised at $14 to $18 a barrel, oil stocks were still very high and the Opec agreement to cut production was only valid two months.

In order to ensure that alternative sources of oil were developed outside Opec, prices would need to be higher than present levels. "At $14 to $16 a barrel, the climate is not good for the long-term investor," he said.

The position improved at $18 to $20, which he said was the Saudi Arabian objective.

Despite the difficult future, he said BP "was determined not to be blown off course hy the events of the last few mnoths."

Downstream margins in the second quarter were lower than the first but still well above last year's levels. However, third quarter margins were suffering as a result of the recent rise in crude oil prices and the two increases in petrol prices.

"When you get a crude price rise as fast as that, it is difficult to bold on to margins," Mr Simon said.

# Reckitt & Colman seeks full control of Australian offshoot

**BY CHARLES BATCHELOR IN LONDON**

RECKITT & COLMAN, the UK housebold products and food group, is making an offer worth £45m ($66m) to buy out the minority sbareholders in its Australian subsidiary, the first time a Britisb company has taken advantage of last month's easing of Australian investment rules.

There has been widespread speculation in Australia that the changes in investment rules announced by Mr Paul Keating, the Treasurer, could lead to a flood of British and other foreign companies seekiog full control of their local subsidiaries.

BTR, the industrial group, BOC, the industrial gases group, Costain, the construction company, P & O, the shipping and property group and Thorn EMI, the electrical and electronics manufacturer, are among British groups with sizeable Australian operations which are not fully-owned.

The key element in the measures announced by Canberra was a dismantling of the requirement that the Australian manufacturing operations of foreign groups bave local shareholders. This formed part of a package designed to stem the slide of the Australian dollar.

Reckitt has been active in Australia for 100 years. In the late 1960s, a reverse takeover of its local operations by Big Sister, an Australian public company, left Reckitt with a 69.73 per cent stake in the renamed Reckitt & Colman Australia.

The Britisb company is now offering A$6.25 a share for the outstanding shares to value the minority at A$111m ($66m) and the entire company at A$367m.

Like its British parent, Reckitt Australia makes household and toiletry products, food and wine and pbarmaceuticals. It had earnings of A$22.8m on sales of A$319m in the year ended October 1985 and had net tangible assets of A$108.6m at the year end.

While Reckitt is the first Britisb company to take this step Sara Lee, the US food and bousehold products company, unveiled plans on August 19 to bid for the outstanding 85.1 per cent of Nicholas Kiwi Australasia. The Chicago company already owns Nicholas Kiwi's operations outside Australia and New Zealand.

# Pop goes new-look Italian Communist festival

**By Alan Friedman in Milan**

ITALY'S Communist Party, keen to demonstrate its "new image" as a responsible part of Italian democracy, last night launched a $9m "Festa dell'Unita" (festival of unity) in Milan, featuring the most un-Communist line-up of bankers, pop stars, fashion designers and husinessmen ever seen at a Communist Party summer jamboree.

The Festa dell'Unita is an annual event in Italy, a huge 18-day party which is lavished oo the faithful each summer in order to promote the party's visibility and at the same time to engender wbat the Italians would call "simpatia" (a feeling of well being).

The Communists are hy no means the only party to hold an annual summer carnival: the Christian Democrats, Socialists and other parties do the same. But this year's Milan bash, which was opened last night by the Socialist Mayor of Milan, is a giant affair, being held on 48,000 square metres of land in Milan's Sempione Park.

The Communist festival will feature appearances by Mr Guido Carli, former governor of the Bank of Italy, Mr Giovanni Spadolini, leader of Italy's Republican Party and the country's Defence Minister, Mr Nerio Nesi, chairman of the Banca Nazionale del Lavoro, Italy's higgest hank, Rod Stewart, the British pop star, and Mr Silvio Berlusconi, the extremely capitalist television magnate.

The Communists are predicting that ebout 3m people (not all of them Communists) will attend the festival. Last year's more introverted party drew 2.5m people.

Italy's biggest companies have paid the Communist Party to sign on as sponsors and there will be special stands offering consumer products at a discount.

There will also be 1,000 small businessmen with interests ranging from agriculture to computing. And two of the leaders of the Italian fashion industry – Krizia and Ferre – will break new ground by becoming the first designers to host fashion shows at a Communist gathering.

The goal of the event is to show that Italy's "new" Communist Party is responsible, normal, and interested in as many bourgeois aspects of modern life as anybody else.

This effort comes after many months of soul-searching and debate inside the Party as to its future direction. Indeed, the Communist Party in Italy has been looking so social democratic in recent months that some members bave even suggested changing its name and getting rid of that offensive word – Communist.

The official newspaper of the Communist Party went one better recently – it responded to reader demands and introduced for the first time ever a daily page devoted to share prices on the Milan bourse.

With 30 per cent of the national vote, the Communists are the second largest party in Italy after the Christian Democrats. But they have remained on the opposition benches and only once in the 1970s did they even flirt with a partial role in Government when they gave their assent to a Christian Democrat-led Government during the short-lived "historic compromise".

So the most Capitalist-looking bandwagon ever put together hy a Communist Party is now rolling along: the festival includes 17 restaurants (including a gourmet French bistro), plenty of music and dancing and seminars on subjects as varied as "work in the age of microelectronics" and "tonight we shall discuss the art of seduction."

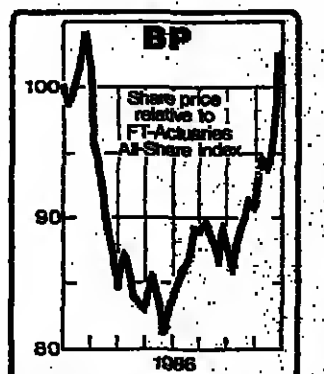
Total receipts expected by the Milan branch of the Party are L13bn ($9.2m) but total costs come to only L12bn.

The difference between cost and total proceeds was explained in a most matter-of-fact way by one Communist organiser of the festival: "We think it is a good idea to make around L1bn of profit."

## THE LEX COLUMN

# Pumping out the profit

Not too long ago anyone who announced that British Petroleum's 1986 second quarter replacement cost profits would exceed those of the second quarter of 1985 would have been given funny looks in the street. But now the company itself has made the announcement, and the shares fell 4p to 666p. After August's blistering run, it would have taken stupendous profits to deter the profit-takers. The trick, as already illustrated in Shell's interim figures, has been the continued exploitation of the retail markets' sluggish response to crude and wholesale product price falls.




The fear that this would not last through the second quarter has been shifted into similar anxieties about the third quarter. It might be said that BP is being hit by rising oil prices, as the same sluggishness works in the consumers' favour. If oil prices remain firm at current levels BP bas the worst of both worlds, with no freak replacement cost profits downstream to offset declining production returns.

Although US eothusiasm for BP's financial strength has been the motor behind the recent vertical ascent of the share price, the company has squashed the hopes of those who expected an increase in the interim dividend. Liquid resources look great at £3.6bn, £1bn more than a year ago. But a great deal of the increase reflects BP's decision to borrow on the grand scale before the credit terms to the oil industry tightened. The debt equity ratio has actually increased slightly, to 33 per cent. The market is nonetheless anticipating a token 1p increase in the full year dividend, if only because BP will not want to be left behind by Sbell. That puts the shares on a yield of about 7.4 per cent. A reasonable inducement to invest in an industry with a completely unclear outlook for earnings.

### Ericsson

Ericsson had been careful enough to warn that the first half results would be grisly, so that if anything the markets were expecting even worse than a 28 per cent drop in profits. The initial response in New York was to mark the shares up against a falling market. None of this means that the outcome is not a lot worse than the company had hoped for at the outset of the year. In particular the information systems division has apparently made yet another loss, and Ericsson now concedes that the business may well not break even in the second half. But then a more characteristically upbeat forecast would have been taken with a large pinch of silicon.

Given an undiminished order book the problem with the telecoms business is margins rather than volume. Those margins could become even thinner as development costs mount and Ericsson continues to go it alone in an industry increasingly dominated by heavyweight international joint ventures. But in this period at least Ericsson was cash positive, and disclaims any need for a large injection of funds.

### Cathay Pacific

Prospectus profits forecasts are made to be exceeded the world over, and Cathay Pacific is unlikely to be an exception. Admittedly, yesterday's results for the six months to June showed net income of HK$503m, only just over half the billion Hong Kong dollars promised for the year at last April's flotation: Cathay's share price lost 15c to close at HK$5.55. Even in such a flying treasury operation, Cathay must be regretting its hedge of yen aircraft leases against ballooning Japanese revenues. Yet the HK$140m turnround into interest surplus does not suggest that these leases are doing too much damage.

Cathay is perversely keen to stress the threat to Australian revenues from a falling Australian dollar. However, the other revenue currencies have risen very nicely against the currencies in which fuel and a good portion of staff costs are denominated. Whatever happens in 1997, Cathay will be taking a lot of cash out of its routes in the meantime.

### Ladbroke

Ladbroke's ability to earn money from its changing portfolio of businesses is only matched by its ability to spend on them: yesterday's results for the six months to June showed a 40 per cent increase in operating profits (to £44m) but a more than doubled interest charge (to £13.7m). But even in such a cash-absorptive period, where hotels and betting shops are being refurbished and new do-it-yourself (DIY) shops are opening every two weeks, Ladbroke should still end the year with interest cover of five times or more and its equity no more highly geared than last year.

As it is, the bookmaking business is reaping all the expected benefits from the loosening of restrictions in the UK. Evidently, the arrival of television even in its present modest form is pulling customers in – turnover was up 15 per cent – and the cost of installing these was contained without damage to net margins. As an operator of four rather than five-star hotels, Ladbroke escaped the worst effects of the loss of US tour business.

With the acquisition of the Texas DIY chain and the disposal of its bingo halls, Ladbroke has made a fairly effortless switch from a mature to a growing business. It may have paid a high multiple of earnings, but these earnings had been bending under the weight of interest charges in the old and undercapitalised ownership, and Ladbroke is well on the way to building up another cash-generating, property-based business, even if the possibility of sharing Lasky's inflated overhead is limited.

Depending on how Ladbroke releases property development gains, it should make a good £100m this year. At 356p, up a penny, Ladbroke is rated at 15 times this year's earnings.

# UK group wins £400m deal

**Continued from Page 1**

qualify for the lower rate of D-Marks allowed for smaller projects, and by taking the rate current at the time the equipment contract was placed earlier this year.

This financial engineering, plus a tax concession from the tax authorities and the grant from the Overseas Development Administration, has produced probably one of the cheapest project finance packages seeo in receot years.

It illustrates the enormous pressure on Western contractors

Biwater managers said yesterday that their French competitor, Degremont, had asked to be included in the contract for areas of Malaysia that it bad separately surveyed in the bope of winning the big order. A decision appears not to have been reached.

# Bolivia declares state of siege over miners

THE BOLIVIAN Government yesterday declared a state of siege and ordered the army to disband a march by miners protesting at the austerity policies of President Victor Paz Estenssoro, **Reuter reports from La Paz.**

Mr Rolando Vizcarra of the Interior Ministry said the emergency measure was taken because of the climate of "internal commotion" caused by the protest march started a week ago hy 5,000 miners.

Under the state of siege the army takes control and civil rights are suspended.

Mr Vizcarra said the armed forces, mobilised along the route of the march which was scheduled to reach La Paz today, bad orders to disband it.

It was the second time in a year that Mr Paz Estenssoro clamped a state of siege on Bolivia to quell protests by the powerful miners' union.

The miners, who began their march at the mining centre of Ururo, 115 miles from La Paz, had planned to stage a mass hunger strike in churches and schools in the capital.

Their march was a protest against harsh austerity measures and government plans to cut operations in the loss-making state tin mines, which have been hit by plunging world tin prices.

Mr Juan Lechin, executive secretary of the Bolivan trade union confederation COB, was abroad when the siege was imposed. He said it was difficult to foresee trade union reaction to the state of siege.

# Cut-price deals offered by GM

**Continued from Page 1**

industry analyst at Drexel Burnham Lambert said in response to the announcement.

GM's excessive inventories stem from the fact that car sales in the US this year are likely to be slightly below last year's record-hreaking level of 11.04m units and US manufacturers have failed to win back market share from the importers, even with the advantage of a cheaper dollar.

Unlike the other US manufacturers, GM had failed to "realise that its market share is permanently lower and match production to this lower sbare," according to Mr Jean-Claude Gruet of Salomon Brothers. As a result it has been caught in a costly squeeze between its over-ambitious production schedules and the success of Ford and Chrysler

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | C | 25 | 77 | Dubrovnik | - | — | — | Malta | S | 31 | 88 | Rhodes | S | 27 | 81 |
| Algiers | S | 33 | 91 | Edinburgh | C | 13 | 55 | Manchester | F | 15 | 59 | Rio de J'o | S | 27 | 81 |
| Amsterdam | F | 13 | 55 | Faro | S | 24 | 75 | Manila | R | 28 | 82 | Rome | F | 28 | 82 |
| Athens | S | 32 | 90 | Florence | C | 22 | 72 | Melbourne | F | 17 | 63 | Salzburg | C | 13 | 55 |
| Bahrain | S | 37 | 99 | Frankfurt | F | 17 | 63 | Mexico City | S | 23 | 73 | San Francisco | C | 20 | 68 |
| Bangkok | S | 33 | 91 | Funchal | S | 26 | 79 | Miami | C | 30 | 86 | Seoul | R | 20 | 68 |
| Barcelona | F | 19 | 66 | Geneva | C | 17 | 63 | Milan | F | 22 | 72 | Singapore | F | 31 | 88 |
| Beirut | - | — | — | Gibraltar | S | 27 | 81 | Montreal | C | 22 | 72 | Stockholm | F | 17 | 63 |
| Belfast | F | 14 | 57 | Glasgow | F | 13 | 55 | Moscow | R | 17 | 63 | Strasbourg | F | 17 | 63 |
| Belgrade | S | 32 | 90 | Guernsey | S | 14 | 57 | Munich | R | 13 | 55 | Sydney | S | 18 | 65 |
| Berlin | S | 19 | 66 | Helsinki | R | 10 | 50 | Nairobi | - | — | — | Taipei | C | 32 | 90 |
| Biarritz | C | 14 | 57 | H. Kong | S | 32 | 90 | Naples | S | 32 | 90 | Tangier | F | 24 | 75 |
| Bombay | F | 26 | 79 | Innsbruck | R | 12 | 54 | Nassau | C | 33 | 91 | Tel Aviv | S | 30 | 86 |
| Bordeaux | F | 16 | 61 | Inverness | C | 13 | 55 | New Delhi | S | 33 | 91 | Tenerife | S | 27 | 81 |
| Brussels | F | 14 | 57 | Islamabad | S | 36 | 97 | New York | S | 27 | 81 | Tokyo | S | 30 | 86 |
| Budapest | F | 25 | 77 | Istanbul | F | 27 | 81 | Nice | F | 21 | 70 | Toronto | C | 19 | 66 |
| B. Aires | R | 23 | 73 | Jakarta | C | 33 | 91 | Nicosia | S | 38 | 100 | Tunis | S | 34 | 93 |
| Cairo | S | 33 | 91 | Jersey | F | 16 | 61 | Oporto | S | 20 | 68 | Valencia | F | 24 | 75 |
| Cape Town | F | 18 | 64 | Jo'burg | S | 24 | 75 | Oslo | C | 10 | 50 | Venice | R | 23 | 73 |
| Caracas | S | 28 | 82 | Lima | C | 19 | 66 | Paris | C | 16 | 61 | Vienna | R | 15 | 59 |
| Casablanca | S | 23 | 73 | Lisbon | S | 21 | 70 | Peking | S | 30 | 86 | Warsaw | C | 16 | 61 |
| Chicago | S | 16 | 64 | London | F | 16 | 61 | Prague | R | 15 | 59 | Washington | R | 15 | 59 |
| Cologne | F | 18 | 64 | L. Angeles | S | 34 | 93 | Reykjavik | S | 9 | 48 | Zurich | C | 12 | 54 |
| Copenhagen | F | 15 | 59 | Luxembourg | C | 13 | 55 | | | | | | | | |
| Corfu | S | 31 | 88 | Madrid | S | 24 | 75 | | | | | | | | |
| Dallas | C | 22 | 72 | Majorca | F | 26 | 79 | | | | | | | | |
| Dublin | S | 14 | 57 | Malaga | S | 33 | 91 | | | | | | | | |

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

# Ericsson axes jobs as profits slide

**Continued from Page 1**

Production is to be concentrated in fewer locations and the whole business area is to be reorganised with a greater concentration of development activities on main products.

New telecommunications orders booked in the first half of the year did increase by some 16 per cent. However, Ericsson has also made a series of vital breakthroughs this year in the US telecommunications market, where it has agreed contracts with three regional Bell Telephone companies for field trials and evaluation of its Axe digital public switching system during 1987.

Ericsson said that volume deliveries of Axe in the US should begin in 1988. At present, however, the cost of developing its Axe system for both the US and UK markets was placing a heavy burden on the group's already stretched finances.

The group is hopeful that the current wave of structural changes in the world telecommunications industry, with a gradual reduction in the number of suppliers and systems, will improve its chances in the longer-term.

Information systems, which ran up operating losses of SKr 806m last year, has "substantially improved" its operating results in the first half of 1986, but the sector was still facing a further cut in production capacity despite a planned increase in sales volumes.

Ericsson is planning to cut 2,000 jobs in this sector over the next year in Sweden and abroad.

Growth rates in information systems are still lower than Ericsson expected and the group said it is facing especially severe competition in subscriber exchanges and data processing products.

The trend in the market has forced the group to reduce its original estimate for operating results in business information systems for 1986. Ericsson said, however, that the current action programme together with "a planned increase in sales volumes" should give a "sharp improvement" in operating results in 1987 and produce "good profitability" in 1988.

Ericsson said that it had managed to reduce the amount of tied-up capital through a cut in inventories and accounts receivable.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday August 29 1986



# Burroughs to sell off Sperry aerospace and marine division

BY PAUL TAYLOR IN NEW YORK

BURROUGHS, the US computer group which is completing $4.44bn acquisition of Sperry, yesterday put Sperry's large aerospace and marine group up for sale as the first step in a planned $1.5bn divestiture programme.

The Detroit-based group, whose merger with Sperry is due to be completed next month after the shareholders' meeting, said it was engaging investment bankers to advise it on the possible sale of the aerospace and marine group which had revenues of about $700m in the fiscal year ending March 31.

The Sperry aerospace and marine group primarily manufactures electronic flight instruments and navigation equipment for commercial and military customers.

Among its main products are autopilots, cockpit systems and submarine periscopes and its sales this year are expected to grow to around $750m.

Sperry has not disclosed the group's operating earnings.

The planned sale of the group fits into Burroughs' previously announced plans to develop a selective programme of divestitures, consolidations and joint venture arrangements. The aim of these is to raise about $1.5bn to pay back acquisition debt and to concentrate resources on computer and defence systems and services.

Mr Michael Blumenthal, Burroughs' chairman, has previously said that divestiture announcements would follow a strategic review of the combined operations of the two companies.

# Parts of Fruehauf to be sold after buyout

BY OUR FINANCIAL STAFF

PARTS of the heavy duty automotive, aerospace, leasing and financing operations of Fruehauf, the US automotive parts and truck trailer company, are to be disposed of after the $1.12bn leveraged buyout by a group led by Merrill Lynch, the Wall Street securities firm.

In a filing with the US Securities and Exchange Commission, the group said: "There have not yet been any discussions with prospective purchasers (but Fruehauf and Merrill Lynch) have received unsolicited inquiries from third parties concerning possible distribution of the company's assets." Fruehauf's automotive and aerospace operations are based on its Kelsey-Hayes subsidiary, which it acquired in 1973. Most of the unit's sales of automotive products are made directly to original equipment manufacturers, while its aerospace products are made chiefly under contract from prime contractors.

On funding for the buyout, the group said it would raise $323m from a group of banks led by Manufacturers Hanover, and a loan of $301m from Merrill Lynch, apart from funding from management investors.

# Trust Bank income static

TRUST BANK of Africa has reported fiscal 1986 net income amounted to R39.2m ($14.96m), virtually unchanged on that reported a year earlier, AP-DJ reports from Johannesburg.

Earnings per share in the year to June 30 totalled 29.5 South African cents, also unchanged on the prior year's earnings, and the board of directors pegged the total dividend at 9 cents a share, the same as that paid in fiscal 1985.

The bank said its profit performance had been affected by "rising inflation, instability in the money and foreign exchange markets, increasing unemployment and insolvencies which led to increased bad debts."

Trust Bank also said its two foreign branches, in London and Hong Kong, were seriously affected by the Pretoria Government's imposition in September last year of a moratorium on repayments of principal on most of South Africa's $24bn foreign debt.

**William Hall** looks at the rapid move to interstate banking prompted by mounting debt problems

# Big banks get set to march into Texas

THERE are more than 1,500 banks in the state of Texas – and many of them are in serious financial trouble following the collapse in oil prices. Their problems have led to a rapid collapse of opposition to the passage of an interstate banking law in the Lone Star state.

Confidence has been shaken by the recent failure of First National Bank of Oklahoma and official efforts to prop up the Bank of Oklahoma, together with the bankruptcy filing of the Dallas-based LTV Corporation and the well-publised problems of the Hunt family's energy empire, which the banks are trying to repossess. Local bank regulators are consequently anxious to pump more capital into the system. The easiest way to do that is by opening up the market to out-of-state banks.

A month ago there seemed little chance that the fiercely independent Texas bankers would allow the passage of an interstate banking law. But events have moved rapidly over the last few days. There is now a very good chance that Texas, which will soon become the second biggest banking market in the US, will shortly allow out-of-state banks to acquire local banks, a move which is likely to alter the face of the local industry dramatically.

Different versions of the interstate banking measure, which also covers the acquisition of local savings banks, have been approved by the Texas Senate and by the state's House of Representatives over the last week.

| | No of bank's subsidiaries | assets | 6-month net income | equity | non-perf loans | non-perf loans as % of total | book value per share | share price | market capital |
|---|---|---|---|---|---|---|---|---|---|
| | | $bn | $m | $m | $m | | $ | $ | $m |
| Republic Bank | 40 | 22.5 | 26.8 | 1223 | 737 | 4.7 | 40.25 | 26.5 | 768 |
| MCorp | 62 | 21.7 | (98.2) | 1147 | 829 | 5.2 | 22.96 | 20.3 | 864 |
| InterFirst | 67 | 19.2 | (279.0) | 891 | 977 | 6.7 | 13.27 | 7.0 | 471 |
| Texas Commerce | 70 | 18.8 | 31.1 | 1189 | 809 | 6.2 | 35.99 | 26.75 | 885 |
| First City Bancorp | 63 | 14.4 | (217.3) | 746 | 672 | 6.3 | 17.22 | 8.25 | 270 |
| Allied Bancshares | 51 | 9.8 | 24.7 | 668 | 346 | 4.8 | 16.11 | 19.25 | 799 |
| Texas American | 35 | 6.1 | (21.3) | 350 | 259 | 5.4 | 32.21 | 24.87 | 271 |

The proposed law, which is designed to take effect on January 1, 1987, has now been sent back to the Senate for its consideration. Bankers expect the differences in the two versions will be quickly hammered out and Governor Mark White could sign it into law as early as next week. However, a companion piece of legislation, allowing branch banking, will have to be endorsed by Texas voters in a referendum later this year.

"Texas is going from the most antiquated banking laws to the most progressive in one push", says Mr Frank Anderson, a bank analyst with the Dallas firm of Weber, Hall, Sale and Associates. Mr Bruce Gibson, chairman of the House committee on financial institutions, says the proposed measures will "revolutionise the banking industry in Texas."

Wall Street has been caught off guard by the speed with which Texas is moving towards interstate banking, and the news has caused a speculative frenzy in local bank shares over the last week as investors try to spot the most likely takeover targets.

The shares of Texas Commerce Bancshares, Houston's biggest bank and e former glamour stock, have jumped from $17 to $28¾ over the last month. The shares of Fort Worth-based Texas American Bancshares have jumped by more than $10 to around $25 over the same period. Allied Bancshares, another prime takeover target, has also seen its shares jump sharply. They are now standing at a premium to underlying book value – an honour shared with the San Antonio-based National Bancshares.

The last two are regarded as well managed groups, not as heavily exposed to the local oil and property industry as some of their Texas peers. However, the rest of Texas's major banks are still trading at a hefty discount to their book value, reflecting investor concern that their assets may not be worth as much as stated. Many bankers privately admit that Texas banks have not yet published the last of the bad news.

Mr D. Kent Anderson, president of Allied Bancshares, said recently that there was no question in his mind that certain leading Texas banks will decide to combine with other major companies. "Strategically, they believe that the opportunity to enter Texas at this stage of the cycle might be very advantageous," says Mr Anderson. Out-of-state banks may never again have the chance to buy their way as cheaply into one of the country's biggest banking markets.

Despite the recent run-up in share prices, Wall Street is still assigning Texas bank stocks a low rating compared with their neighbours in the Sunbelt states of Florida, Georgia and the Carolinas. First Wachovia and Suntrust Banks, for example, are each capitalised at around $2.5bn, which is considerably more than the combined stock market valuation of the three biggest Texas banks – Republicbank, MCorp and InterFirst.

Texas Commerce Bancshares has the highest stock market capitalisation of any Texas bank, yet it is only half the average for the 10 largest banks in the south-east, the fastest growing and most attractive banking market in the US.

"I would be surprised if all of the big Texas banks are not already talking to their investment bankers," says Mr Frank Andersoo. Many analysts agree, but they are cautious about predicting the sort of combinations whieb will result. The new generation of super-regional banks now emerging in the south-east are obvious merger partners but the New York and West Coast banks should not be ruled out.

Texas banks can be divided into three groups. The relatively healthy big banks, such as Republic, MCorp and Texas Commerce, could see advantages in diversifying out of Texas through a combination with an out-of-state bank. But they should not be regarded as sitting targets and are likely to want to have e considerable say in any merger. A second group of medium sized banks, such as Allied, Texas American and National Bancshares, could be reasonably easily digested by a big outside bank and should not need too much management attention. Finally, there are weaker institutions like InterFirst and First City Bancorporation. The size and problems of these institutions may frighten away potential bidders.

# Beer sales help Bond to bumper profits

By Robert Kennedy in Sydney

BOND Corporation Holdings, the brewing, resources and media group, yesterday posted a profit of A$100.5m (US$61.3m), five times last year's figure and more than the group had earned in the previous 10 years.

The bumper profit, up from A$20.4m last year, resulted mainly from the company's considerable expansion in brewing in Australia and the United States. Bond's brewing division provided nearly 90 per cent of its operating revenue of A$1.6bn in the year to June 30, which was up from A$517m last year.

The company has held annual dividend nt 10 cents a share but shareholders were rewarded with a one-for-five bonus issue last year and a one-for-two rights issue during the year which will attract the 5 cents-a-unit final dividend. Bond announced another one-for-five bonus issue yesterday.

The company's brewing operation contributed A$191m before interest and tax. It included a 10-month contribution from Castlemaine Tooheys and a four-month input from its recent US purchase of the Pittsburgh Brewing Company.

Bond said efficiencies of scale, elimination of unnecessary duplication, increased purchasing power and integration of marketing campaigns had enabled the newly structured brewing division to perform significantly better in the year.

"The brewing division produces almost half the beer consumed in Australia," it said. The group's newest brand, Swan Premium Export Lager, was the fastest growing in the country.

Bond also achieved a healthy profit contribution from its corporate division which earned A$61.32m before interest and tax from share-trading and a number of other transactions.

These included the purchase and sale of the former Screen Entertainment division of Thorn-EMI, the sale of Southern Cross Beverages and the sale of most of the former hotel properties of Castlemaine Tooheys to the Austotel Trust.

Bond's petroleum division did not appear to suffer too harshly from depressed world oil prices, contributing A$23.66m before interest and tax.

# Kyocera profits slip 28% in first quarter

KYOCERA, the Japanese ceramics and semiconductor manufacturer, yesterday reported a 28 per cent decline in consolidated net earnings in the first quarter of the fiscal year ended June 30 to Y4.68bn ($30.2m) from Y6.49bn in the corresponding period a year earlier, AP-DJ writes from Tokyo.

Sales dropped by 13.9 per cent to Y64.4bn from Y74.9bn.

Earnings per share slid to Y31.23 from Y43.32. As in recent quarters, the company's sales and net earnings performance came under pressure from the yen's sharp appreciation against the dollar. The company said its average dollar-yen exchange rate was Y166 during the first quarter, far below the average Y249 rate in the same three-month period a year earlier.

The impact of the strong yen was felt severely by the Kyoto-based manufacturer because 80 per cent of its export transactions are made in dollar-denominated accounts. First-quarter exports totalled Y30.3bn, down 22.4 per cent from the same period a year earlier. Exports accounted for 47 per cent of its overall sales.

In the latest reporting period, sales went down in every category. Those of ceramic materials for the electronics industry dropped 27.2 per cent to Y2.24bn and those of semiconductor products totalled Y22.2bn – a 20.9 per cent decline against the prior-year level.

# Strong yen hits Seiko earnings

NIPPON SEIKO, Japan's largest maker of bearings, yesterday reported that its consolidated net earnings for the fiscal year ended April 30 fell by 11.1 per cent to Y9.29bn ($59.9m) from Y10.46bn in the previous fiscal year, AP-DJ writes from Tokyo.

Sales increased, however, by 4.6 per cent to Y282.96bn from Y270.47bn.

Earnings per share fell to Y22.44 from Y27.12. The decrease in net earnings was attributed to intensified competition and the sharply appreciating yen, which made Seiko's products more expensive in overseas markets.

# Record first half for Danish bank group

BY HILARY BARNES IN COPENHAGEN

COPENHAGEN Handelsbank improved operating earnings in the first half by 39 per cent to DKr 548m ($71m), its best ever half-year result, which was attributed to an increase in its market share.

The satisfactory trend in operating earnings is expected to continue for the rest of the year, but the development in net profits will depend on how bond and share prices move on the Copenhagen stock exchange, the bank said.

In the first half the bank suffered an unrealised loss on its securities portfolio of DKr 692m compared with a gain last year of DKr 934m.

The balance sheet total increased by 53 per cent to DKr 140bn compared with June last year.

● DFDS, the Danish shipping company, improved its pre-tax performance by DKr 71m in the first half but still came out with a DKr 7m operating loss. The operating figure was DKr 15m ahead of the budget, however. The net result was also a loss of DKr 7m, which was DKr 26m ahead of the budget.

As the second half-year is traditionally better than the first, a small profit is expected for the year, but it will not be enough to restore a dividend for another year or two, said managing director Niels Bach.

# Export Development Corporation
(An agent of Her Majesty in right of Canada)

# Société pour l'expansion des exportations
(Mandataire de Sa Majesté du chef du Canada)

## NOTICE OF PARTIAL REDEMPTION

## *TO THE HOLDERS OF C$100,000,000 11½% NOTES DUE DECEMBER 15, 1989 SERIES RC*

*NOTICE IS HEREBY GIVEN pursuant to paragraph 7(B) of the Fiscal Agency Agreement dated as of December 13, 1984 between* EXPORT DEVELOPMENT CORPORATION ("EDC") and ORION ROYAL BANK LIMITED (the "Fiscal Agent"), and in accordance with Condition 5(c) of the Terms and Conditions of the 11½% Notes Due December 15, 1989 Series RC (the "Notes"), that EDC has elected to redeem C$13,654,000 aggregate principal amount of the Notes in the denominations of *C$1,000 and C$10,000* each bearing the distinguishing letters "RC" and the under-mentioned distinguishing numbers, namely:

**FOR THE C$1,000 DENOMINATED NOTES**

[illegible]

**FOR THE C$10,000 DENOMINATED NOTES**

[illegible]

have been selected by lot by the Fiscal Agent for redemption on the 29th day of September, 1986 at a redemption price equal to 101% of their principal amount plus accrued interest to the date of redemption (totalling C$1,100.72 per C$1,000 Note and C$11,007.22 per C$10,000 Note). The aggregate principal amount of the Notes outstanding after September 29th, 1986 will be C$79,423,000. All the Notes listed above will be redeemed on September 29, 1986 in Canadian Dollars upon presentation and surrender of the said Notes (accompanied by the interest coupons appertaining thereto which mature after September 29, 1986, failing which the face value of any missing unmatured coupon will be deducted from the sum due for payment), at any of the following paying agents, at the option of the holder:

**Orion Royal Bank Limited**
1 London Wall,
London EC2Y 5JX,
England

**The Royal Bank of Canada**
Royal Bank Plaza,
Toronto, Ontario M4J 2J5,
Canada

**The Royal Bank of Canada (Belgium) S.A.**
rue de Ligne 1,
B-1000 Bruxelles, Belgium

**The Royal Bank of Canada (France) S.A.**
3 rue Scribe, 75440 Paris,
France

**The Royal Bank of Canada AG**
Bockenheimer Landstrasse 61,
6000 Frankfurt/Main 1,
West Germany

**The Royal Bank of Canada (Suisse)**
rue Diday 6, 1204 Geneva,
Switzerland

**Kredietbank S.A. Luxembourgoise**
43 Boulevard Royal,
2955 Luxembourg

NOTICE IS ALSO HEREBY GIVEN, that all interest on the Notes so called for redemption shall cease to accrue on or after the said 29th day of September, 1986 and coupons for the payment of interest after such date on said Notes shall be void.

**DATED AT LONDON This 29th August, 1986**
***by* ORION ROYAL BANK LIMITED**
***Fiscal Agent***

**ORION ROYAL BANK LIMITED**
A member of The Royal Bank of Canada Group

# Ireland and French bank raise $900m in floaters

BY CLARE PEARSON

NEW FLOATING rate note (FRN) issuea formed the focus of attantion in the dollar Eurobond market as both Ireland and Banque Nationale de Paria leunched substantial financings.

Ireland'a 12-year bond amounted to $500m. It followed a $300m similarly-dated deai issued in May, although the republic is also redeeming $300m of earlier, more expensive financings.

As with Ireland'a last FRN, which was also led by Morgan Guaranty, yesterday's bond was criticised by some dealers as over-aggressively priced. A number of houses had submitted offers over the past few days, although there had heen no formal bidding for the mandete.

The bond'a coupon was set at the mean of bid and offer rates for six-month Eurodollar deposits in London, the same level aa the last issue, although that was priced at par, while yesterday'a bond was priced at 100.20.

On the other hand, the new bond provides call protection for seven years, instead of the more usual five.

Some leeding houses refused invitations to tbe deal, although Merrill Lynch Capital Markets, Orion Royal Bank, Salomon Brothers International, and Nomura International became co-lead managers.

During the afternoon, Ireland's issue was quoted at 100.05 bid, a discount to issue price at the level of the totai fees.

Banque Nationale de Paris's $400m perpetual FRN for itself proved less coutroversial. The issue was designed to boost the bank's capital hase and followed a recent FFr 400m issue of non-voting shares.

The subordinated capital note was prieed at par with coupon payments at 7⅛ basis points over six-month London interbank offered rate, while fees totalled 30 basis points.

Most dealers thonght this fair and the bond was bld at a premium of about 100.20.

The Danisb krone market saw its first FRN isue yesterday with a two-tranche deal for A/S Nevi, a Norwegian finance house. The DKr 500m issue is divided into two equal aeven-year tranches, both paying interest at three-month London Interbank offered rate plus ⅛ point and priced at par. Both may he called after three years and put after five. Fees totalled 35 basis points.

Kansallis-Osake Pankki, the lead manager, said that it was synicating the deal by telex rother than by telepbone, since an FRN is e new departure for the Danisb krone market. Initiai reaction was hard to guage.

Fixed rate Eurobond sectors were mildly disoppointed when the Bundesbank failed to announce a cut in the West German discount rate after its council meeting. Nevertheless, a trickle of fixed rate issues appeared.

In US dollars, Morgan Stanley issued a $100m aeven-year bond for Massachnsetts Mutual, the 10th largest US life assurance company. The borrower ia rated triple A hy Standard & Poor's, the rating agency, and this helped to overcome the market'a dislike of US financial institutions' issues. With a coupon of 7½ per cent and price of 100½, its initial yelld spread of about 85 basis points over US Treasury bonds looked quite attractive. The deal was qnoted at discounts to issue price within the level of the total fees.

Meanwhile, Morgan Guaranty issued a $100m 10-year bond for Hessische Landeshank, paying interest at 8 per cent and priced at 101½.

The Canadian dollar market is over-supplied with recent paper, so dealers were not enthusiastic about a C$100m five-year deal for TD Mortgage, led by Toronto Dominion International, fellow member of the Toronto Dominion group. Its coupon of 9⅛ per cent and price of 100⅞, however, looked reasonohly attractive.

In the equity warrants sector, Yamaichi Internationai (Europe) launched a $60m five-year deal for Nippon Zeon, the synthetic rubber company, while Nomura International launched a similarly dated $40m bond for Kansai Paint. Both have indicated coupons of 3⅛ per cent and par issue prices.

The D-Mark market weakened slightly in quiet trading. Dealers are now focusing on the Bundesbank's scheduled repurchase agreement on September 3, when new yield levels will be taken as indications of interest rate policy.

In the Swiss franc market, Union Bank of Switzerland, with Merrill Lynch as co-lead, launched the first "hull and bear" bond in the sector. The SFr 200m deal is for Philips, thet Dntch electricals company, and is linked to the Swiss Bank Coroprstion stock index. This closed at 651.8 yesterday.

Both SFr 100m tranches mature in five years and pay 1 per cent coupons in the first year and then 4⅛ per cent. Tbe "bull" tranche is pdiced at 100¼ while the "bear" is et par.

In general, prices of Swiss franc bonds were unchanged to a touch firmer in fair volume.

Banque Gntzwiller, Kurz, Bungener issued a SFr 100m collaterelised "double convertible" bond for ICN Pharmaceuticals of the US, issuing througb a Guernsey finance vehicle. The 14-year bond moy be converted into ICN stock during the whole of its life. Alternatively, balf of each bond may be converted after 1991 into ICN stock and the remainder into stock of SPI, a subsidiary of the borrower. If not converted, the bond is collateralised at maturity by double-A-rated zero coupon bonds. The deal is priced at par and has an indicated coupon of 5⅛ per cent.

Union Bank of Switzerland launched a SFr 150m seven-year 5 per cent bond for Shimizu Construction, priced at par.

# Currency changes hit two Dutch insurers

By Our Amsterdam Correspondent

AEGON, the second largest Dutch insurance group, yesterday reported first half net profits np 10 per cent et Fl 166.4m ($72m), while Amev, the third largest group, showed a 5.1 per cent earnings gain to Fl 144.3m. Both companies said profits and revennes were dampened by exchange rate fluctuations—as did Netionale-Nederlanden, the largest gronp, which reported on Wednesday.

Amev's profit per share was np 1.1 per cent et Fl 2.69 per nominal share of Fl 2.50, while Aegon earned Fl 4.85 per share of Fl 5 nominal, compared with an adjusted Fl 4.82 last year. Both companies announced unchanged interim dividends, Aegon'a at Fl 1.30 per share and Amev's at Fl 1.70.

The currency exchange effect on earnings was more marked for Amev, which has interests in Australie as well as the US.

Amev's total revennes rose 5 per eent to Fl 4.01bn. Non-life insurance revenoe grew 14 per cent to Fl 1.70bn, thongh pre-tax profits dropped from Fl 81.2m to Fl 50.1m. Life insurance revennes grew more slowly.

Aegon's total revennes declined to Fl 4.60bn from Fl 4.67bn last year, but would have been np 12 per cent withont exchange rate changes. Life insurance business remained rohust at home and abroad, while eccident and health results were diseppointing in the Netherlands and slightly down in the US. Its UK and Spanish subsidiaries and its re-insurance companies were all profitable.

# Van Ommeren sees upturn

VAN OMMEREN, the Dutch shipping and transport group, expects a small rise in profits this year, because of signs of rising demand for tank storage end increased shipping activity on the Rhine, reports Reuter from Rotterdam.

The company reported a fall in first half net profits to Fl 17.2m ($7.5m) from Fl 21.6m in the same 1985 period. Net profits in 1985 amonnted to Fl 32.7m.

Redneed income from dry bulk and ocean transport, except tankers, and the fall in the dollar exchange rate led to a decrease in turnover to Fl 411.6m in the first half from Fl 467.6m a year earlier.

# Volvo increases six-month pre-tax profits by 11.5%

BY SARA WEBB IN STOCKHOLM

VOLVO, the Swedisb automotive, energy, and food group, increased profits by 11.5 per cent on stagnant sales in the first balf of 1986.

Pre-tax profits after financial items rose to SKr 4.75bn ($686.5m) compared with SKr 4.26bn in the first half of 1985.

Group sales totalled SKr 42.18bn, against SKr 42.28bn in the first half of last yeor. Volvo has hedged against the impact of a falling dollar, but sales have been hit by the lower dollar and analysts expect the effect of hedging to sbow up later in profits, perhaps for the first quarter of 1987.

Sales in energy and trade plummeted hy 21 per cent to SKr 7.5bn for the first half and oil trading has been affected by the falling oil price and lower dollar. Sales for marine and industrial motors fell by 7 per eent to SKr 1.1bn.

Volvo said that the lower dollar reduced the volue of sales of industrial products hy about SKr 2.8bn ogainst the first half of 1985.

In the food sector, sales rose 39 per cent to SKr 3.6bn and were given a strong fillip hy the acquisition of Cardo, the food company. Sales excluding Cardo rose hy only 6 per cent in the aecond balf.

Sales of cars rose hy 3 per cent to SKr 18.96bn, helped hy an 8 per cent increase in the total car market in Western Europe. However, registrations in Sweden fell by 5 per cent in the first half, and were possibly affected by talk of a new tax on cars. The number of cars delivered increased by 5 per eent to 214,000 against 203,000 in the first balf of 1985.

Bus sales increased by 22 per cent to SKr 904m while truck sales were up 3 per cent to SKr 8.22bn. Volvo increased its market share in Western Europe, chiefly in the Nordie

Volvo recently agreed to cooperote with General Motors in the development, manufacture and marketing of trucks in North America.

# Thomson buys US transmitter producer

By David Housego in Paris

THOMSON-LGT, the French manufacturer of television and radio transmitters ond a subsidiary of the Thomson electronics group, bas bought for an undisclosed price Comark Communications, the second biggest company in the US market for television transmitters.

Thomson-LGT claimed thet the acquisition of Comark, with $12m of sales in the US, would give it more than a 30 per cent share of the world market for television transmitters and raise its turnover to $127m.

Over the past three years Thomson has carried out a redical reorganisation and expansion of its transmission division, which bas earried it from heavy losses into a profit-making centre of the group. Until now Thomson-LGT has been absent from the US market.

In en initial phese Thomson hopes to expand Comark's US sales from $12m to $20m through adding Thomson's own range of VHF television transmitters and FM radio transmitters to Comark's ultra high frequency equipment. Within three years it further aims at expanding turnover to $50m througb diversifying into other products such as satellite receiving equipment.

The group said yesterday that $50m was the level needed to support a nationwide sales ond servicing operation and to finance research and development.

# Volkswagen ahead at midway

BY DAVID BROWN IN FRANKFURT

VOLKSWAGEN, the West German motor vehicles manufacturer, has released first-balf figures revealing that group profits and order intake remained roughly unchanged at last years bigh levels despite slightly lower worldwide turnover.

Profits edged ehead by DM 8m to DM 284m during the first six months of 1986 but sales slipped sligbtly from DM 26.69bn to DM 26.44bn, due in part to the conversion of weaker dollar - denominated sales into D-Mark accounts. Parent company profits advanced at a higher rate from DM 202m to DM 235m.

Domestic deliveries increased by 14.3 per cent, helping to compensate for weaker foreign markets, although total market share at bome slipped somewhat, not least in the face of growing Japanese competition. Deliveries in Brazil climbed sharply to 174,000 units. Growth in the European market reached 4 per cent, and in North American 2.2 per ceot.

Group iovestments jumped 60 per cent to DM 2.26bn, roughly a third of which was used to finance the acquisition of Seat of Spain wilb the remainder spent on new capacity

● Volkswogen doubts that it will be able to conclude an agreement before the end of 1986 with Ford Motor of the US for co-operation in South America, AP-DJ reports from Wolfaburg.

The company said in June that it was conducting telks with Ford about the possibilities of cutting costs by sharing production facilties. Both companies bave major operation in Brazil and Argentina.

VW is confident thot an agreement can be reached but said it was unlikely it could be concluded in the remaining months of this year. Joint use of production focilities and exchanges of parts would both be possibilities.

# Renison Goldfields plans A$100m funding

BY KENNETH MARSTON, MINING EDITOR

Renison Goldfields Consolidated (RGC), the 49 per cent owned Australian arm of London's Consolideted Gold Fields, announces a A$100m (£41m or $61m) issue of 8 per cent unsecured convertible notes, a one-for-ten scrip issue, and a final dividend—payable on the new shares—of 10 ceots to make a total for the yeer to June 30 of 15 cents against 10 cents.

Earnings for the year to June 25 have risen to A$21.1m, or 30.5 cents per sbare, from A$12.7m. In addition there are extraordinary credits of A$13.5m against A$10.8m. The latest performance reflects mainly e good demand for mineral sands products and a half-year's benefit of Allied Eneabba, which was acquired on January 1.

The Mount Lyell copper division returned to profitability and is expected to remain so at current metal prices, but low tin prices are expected to continne to depress profits of the tin division. Otherwise the new Pine Creek gold mine and the gold plant at the Weu mine will make increasing contributions, it is stated.

RGC shareholders will be offered 6.29m notes on e one-for-11 basis at a price of A$8.25 each and Gold Fields has said that it will take up its entitlement. A further 5.83m notes will be the subject of placements, also at A$8.25.

At Peko-Wallsend, the diversified Australian mining and industrial group, earnings for the year ended June 30 rose to A$50.22m, or 59.1 cents, per sbare, from A$27.24m in 1984-1985 when there was an extraordinary loss of A$11.19m, on forward sales of US dollar revenues. The latest final dividend is doubled to 10 cents, making a year's total of 20 cents agoinst 10 cents.

The company says that all major operating divisions, coupled with the benefits of the fall in the Australian dollar, contrihuted to the increased profit. It is the best since 1980, although the company points out that the return on shareholders' funds, at 10.7 per cent, is well below risk-free interest rates in Australia.

## FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.
Closing prices on August 28

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Amoco Co. 9¾ 16 | 200 | 103⅝ | 104⅛ | +0⅛ | +0¼ | 9.35 |
| Atlan. Richfield 10¼ 00 | 250 | 109⅝ | 109⅞ | −0⅛ | +0¼ | 9.02 |
| Australia Com. 11 95 | 200 | †116⅞ | 117⅜ | 0 | +0⅛ | 8.17 |
| Australia Com. 11¼ 00 | 300 | †116½ | 116⅞ | −0⅛ | +0⅛ | 9.10 |
| BP Capital 9⅞ 94 | 100 | 104⅝ | 104⅞ | +0⅛ | +0⅛ | 8.26 |
| BP Capital 11½ 92 | 150 | 110 | 110½ | +0⅛ | −0⅛ | 8.65 |
| Campbell Soup 10½ 95 | 100 | 113⅝ | 114⅛ | −0⅛ | +0⅛ | 8.26 |
| Canada 9 96 | 1000 | 108¼ | 108⅝ | −0⅛ | −0⅛ | 7.69 |
| Canada 11½ 90 | 500 | 113⅞ | 114⅜ | 0 | −0⅛ | 6.87 |
| Canadian Pac. 10¼ 93 | 100 | 110⅛ | 110½ | −0⅛ | −0⅛ | 8.48 |
| CEPME 10¼ 91 | 100 | 109⅝ | 109⅞ | −0⅛ | +0⅛ | 7.78 |
| Credit Lyonnais 9 91 | 200 | 105½ | 106⅛ | −0⅛ | −0⅛ | 7.43 |
| Credit National 9⅛ 93 | 150 | 106⅛ | 106⅝ | 0 | +0⅛ | 7.77 |
| Denmark Kingdom 7¾ 93 | 250 | 99⅝ | 100⅛ | −0⅛ | −0⅛ | 7.76 |
| Denmark Kingdom 8¾ 91 | 300 | 102⅞ | 103⅜ | −0⅛ | −0⅛ | 7.48 |
| Denmark Kingdm. 11½ 92 | 100 | 116⅛ | 116⅞ | −0⅛ | 0 | 7.71 |
| Deutsche Bank Fin. 8 96 | 170 | 98 | 98½ | 0 | +0⅛ | 8.25 |
| EDC 8½ 92 | 100 | 104 | 104½ | 0 | 0 | 7.52 |
| EEC 8¾ 96 | 100 | 103¼ | 104¼ | −0⅛ | 0 | 7.85 |
| EEC 8⅝ 91 | 150 | 105⅛ | 105⅝ | −0⅛ | −0⅛ | 7.33 |
| EEC 9⅝ 90 | 350 | 106⅛ | 107⅛ | +0⅛ | +0⅛ | 7.49 |
| EIB 10¼ 94 | 200 | 111½ | 111⅞ | 0 | −0⅛ | 8.24 |
| EIB 12 95 | 200 | 125¼ | 126¼ | −0⅛ | 0 | 7.75 |
| Eurofima 7¾ 91 | 100 | 101¼ | 101¾ | −0⅛ | 0 | 7.37 |
| Export Dev. Cpn. 10 90 | 100 | 109⅝ | 110⅛ | −0⅛ | −0⅛ | 6.92 |
| Finland 7½ 93 | 200 | 99 | 99⅝ | −0⅛ | −0⅛ | 7.66 |
| Ford Motor Cred. 10⅛ 91 | 150 | 110⅛ | 110⅝ | 0 | −0⅛ | 7.97 |
| Ford Motor Cred. 11⅛ 90 | 100 | 111⅝ | 112⅛ | 0 | +0⅛ | 7.34 |
| Gen. Elec. Cred. 10¼ 00 | 200 | 107⅜ | 107⅞ | 0 | 0 | 9.24 |
| GMAC 10¼ 89 | 200 | 107¾ | 108¼ | −0⅛ | −0⅛ | 6.95 |
| GMAC 8½ 95 | 200 | 103 | 103½ | −0⅛ | −0⅛ | 7.86 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Average price changes... on day −0⅛ on week −0⅛

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn | C.yld |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Average price changes... on day −0.02 on week +0.04

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Mitsubishi Bank 2⅞ 00 | 8/85 | 1768 | 154⅝ | 155⅝ | +1⅞ | 6.45 |
| Mitsubishi Elec. 2⅞ 00 | 3/85 | 422 | 186¼ | 188¼ | −12⅝ | −7.58 |
| Mitsui Bank 2⅝ 01 | 4/86 | 101.9 | 138 | 139⅝ | +0⅛ | −90.86 |
| Murata 3½ 00 | 7/84 | 2598 | 162 | 163⅝ | +4⅛ | 16.82 |
| Nippon Elec. 2⅞ 00 | 1/85 | 1295 | 228⅝ | 229⅝ | +38 | 143.97 |
| Nippon Oil Co. 3 00 | 5/85 | 923 | 186½ | 188 | −8 | −3.20 |
| OKI Elec. Ind. 3½ 99 | 10/84 | *605 | †162 | 163½ | −6⅝ | −2.74 |
| Sanwa Bank 2⅞ 00 | 10/85 | 1486 | 152⅝ | 153⅞ | +0⅛ | −0.65 |
| Sekisui House 5 99 | 6/84 | 612 | 366 | 367⅝ | −5⅝ | 0.36 |
| Sumitomo Bank 2⅞ 00 | 8/85 | 2142 | 177⅞ | 179⅝ | +3⅝ | 11.42 |
| Sumitomo Corpn. 2⅞ 99 | 5/84 | 593 | 323 | 324½ | −4⅛ | 10.43 |
| Taiyo Yuden 3¼ 00 | 3/85 | 1078 | *†135 | 136 | e | −13.10 |
| Toshiba Ceramics 5 00 | 4/85 | 1734 | 120 | 121¼ | e | −2.38 |
| Nippon Oil Co. 2⅞ 92 SFr | 3/84 | 1052 | †125 | 127 | −9⅛ | 4.09 |
| Nippon Shinpan 2 92 SFr | 3/84 | 801 | †227 | 228 | 0 | 14.28 |
| Asics 6 92 DM | 12/83 | 520 | 142¼ | 143½ | +3⅛ | 9.74 |

* No information available—previous day's price.

† Only one market maker supplied a price.

**Straight Bonds:** The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

**Floating Rate Notes:** Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

**Convertible Bonds:** Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



## N. AMERICAN QUARTERLIES

**AMERICAN STORES**
Retailing

| Second quarter | 1986 $ | 1985 $ |
|---|---|---|
| Revenue | 3.5bn | 3.5bn |
| Net profits | 33.0m | 41.5m |
| Net per share | 0.85 | 1.12 |
| Six months | | |
| Revenue | 6.9bn | 6.9bn |
| Net profits | 65.3m | 72.4m |
| Net per share | 1.68 | 1.90 |

**BOMBADIER**
Transportation equipment

| Second quarter | 1986 C$ | 1985 C$ |
|---|---|---|
| Revenue | 173.4m | 133.4m |
| Net profits | 6.83m | 4.52m |
| Net per share | 0.49 | 0.33 |
| Six months | | |
| Revenue | 321.4m | 258.1m |
| Net profits | 11.02m | 8.06m |
| Net per share | 0.83 | 0.71 |

**BROWN FORMAN**
Distilling, chinaware

| First quarter | 1986-87 $ | 1985-86 $ |
|---|---|---|
| Revenue | 332.9m | 280.9m |
| Net profits | 18.2m | 18.5m |
| Net per share | 0.84 | 0.86 |

**CAESARS WORLD**
Gaming

| Fourth quarter | 1985-86 $ | 1984-85 $ |
|---|---|---|
| Revenue | 187.7m | 185.9m |
| Net profits | 14.6m | 12.57m |
| Net per share | 0.48 | 0.42 |
| Year | | |
| Revenue | 694.4m | 660.3m |
| Net profits | 41.02m | 31.81m |
| Net per share | 1.36 | 1.07 |

**MOHAWK DATA SCIENCES**
Computer peripherals

| First quarter | 1986-87 $ | 1985-86 $ |
|---|---|---|
| Revenue | 23.97m | 72.51m |
| Net profits | 1.32m | †5.38m |
| Net per share | 0.11 | †0.43 |

**PERKIN-ELMER**
Semiconductor equipment

| Fourth quarter | 1985-86 $ | 1984-85 $ |
|---|---|---|
| Revenue | 349.9m | 350.2m |
| Net profits | 20.5m | 24.3m |
| Net per share | 0.48 | 0.54 |
| Year | | |
| Revenue | 1.3bn | 1.3bn |
| Net profits | 72.6m | 82.1m |
| Net per share | 1.18 | 1.84 |

**SUPERMARKETS GENERAL**
Retailing

| Second quarter | 1986 $ | 1985 $ |
|---|---|---|
| Revenue | 1.4bn | 1.3bn |
| Net profits | 19.9m | 18.04m |
| Net per share | 0.52 | 0.50 |
| Six months | | |
| Revenue | 2.7bn | 2.4bn |
| Net profits | 32.3m | 29.8m |
| Net per share | 0.85 | 0.83 |

**US SHOE**
Footwear, clothes shops

| Second quarter | 1986 $ | 1985 $ |
|---|---|---|
| Revenue | 457.8m | 440.1m |
| Net profits | †4.9m | 7.5m |
| Net per share | †0.11 | 0.17 |
| Six months | | |
| Revenue | 894.7m | 865.2m |
| Net profits | †1.7m | 20.7m |
| Net per share | †0.04 | 0.47 |

**WESTVACO**
Forest products

| Third quarter | 1986 $ | 1985 $ |
|---|---|---|
| Revenue | 466.4m | 430.2m |
| Net profits | 25.9m | 23.2m |
| Net per share | 0.90 | 0.80 |
| Nine months | | |
| Revenue | 1.33bn | 1.31bn |
| Net profits | 64.8m | 68.8m |
| Net per share | 2.25 | 2.40 |

† Loss

# INTL. COMPANIES and FINANCE

## Cathay Pacific earnings up 69%

By Our Financial Staff

CATHAY PACIFIC AIRWAYS, The Hong Kong-based carrier which floated off 15 per cent of its shares to the public earlier this year, yesterday reported a 69 per cent increase in net profits for the six months to June 30 to HK$503.5m (US$64.5m). In the same period last year net profits reached HK$297.9m.

The company is proposing a first dividend of 6 cents a share, based on net profits of 19 cents a share, against 11.2 cents a year earlier. A final dividend is predicted of at least 13 cents a share. Sales during the six-month period rose almost 20 per cent to HK$ 4.21bn from HK$3.51bn.

Cathay predicted that second-half results would benefit from the continued weakness of fuel prices, though it also warned that prices may have bottomed out and could increase by the end of the year.

Earnings during the first half benefited from a strong air cargo market, though passenger traffic remained weak and a reduction in passenger yields is also expected. The airline said revenue from Australia would be reduced by the weakness of the Australian dollar, though it did not refer to the effects on revenues from Japan on the stronger yen.

See Lex

## J.P. Stevens back in profit for third quarter

BY ANATOLE KALETSKY IN NEW YORK

JP STEVENS, the second largest US manufacturer of textiles, has reported an after-tax profit of $13.4m for the three months ended August 2, compared with a loss of $29.3m a year earlier.

However, last year's loss included a one-off charge for restructuring costs and losses on proposed divestments of $44.5m.

The three-month profit, which is equivalent to 77 cents per share, was roughly in line with market expectations and indicates the continuing consolidation of the company's business away from clothing towards home furnishings.

In the latest quarter, Stevens sold its Delta and Stevcoknit fabrics divisions to Alchem Capital, completing the divestment of the finished clothing businesses which it announced in June last year.

In February, this year, Stevens acquired the sheet and towel operations of Burlington Mills, making it the US market leader in both these businesses. Stevens said plans for consolidating the Burlington divisions are proceeding on schedule with the relocation of equipment more than half completed.

However, this operation has adversely affected earnings both in the quarter just reported and in the final quarter of the year to November 2.

In terms of general operations, "business was mostly good" and good results are anticipated both for the coming quarter and for the first part of 1987, the company said.

For the first nine months of fiscal 1986 net profits were $33.2m or $1.90 per share, against a net loss of $22.2m or $1.27 a share last year. Consolidated net sales in the first nine months of fiscal 1986 were $1.25bn.

## Cost-cutting measures at KHD

By David Brown in Frankfurt

KLOECKNER - HUMBOLT-DEUTZ (KHD) the Cologne-based tractor, diesel engine and industrial plant manufacturer, experienced a dramatic weakening of its position on export markets in the first half of 1986—reflected in sharply lower order intake and weaker sales—and will be forced to take cost-cutting measures later this year.

The board termed business development for the period "unsatisfactory" and held out little hope for an improvement in the second half.

Against the background of a strong D-Mark, parent company foreign orders tumbled by 29 per cent in value to DM 866m ($423m) and now represent 58 per cent of total order intake (down from 65 per cent in 1985).

Group sales slipped from DM 2.4bn to DM 2.3bn, while parent company turnover was down by 7 per cent.

## Wah Kwong plan ready

CREDITORS OF Wah Kwong, the financially troubled Hong Kong shipping group, were yesterday reviewing the documentation arising from the proposed restructuring plan for the company, and were expected to be ready to sign the agreement next week, our Financial Staff writes.

Although a majority of the 46 large creditors of the company are believed to favour the proposed restructuring, Chase Manhattan Bank was yesterday still giving no sign of abandoning its attempt to secure preferential terms. The bank has said it would take part in the restructuring exercise only if it is allowed to take control of three vessels on which it holds mortgages.

The future of Wah Kwong, Hong Kong's third biggest shipping company, is assumed to be bleak, should any one creditor refuse to endorse the restructuring package.

## Daimichi Kiko files for protection

By Yoko Shibata in Tokyo

DAINICHI KIKO, an industrial robot venture business, has filed an application for protection under the Corporate Rehabilitation Law, a Japanese version of Chapter 11 of the US. The company's liabilities are estimated at Y5.5bn ($35.6m), according to Tokyo Shoko Research, a private credit rating agency.

The company was established in 1971 by Mr Toshio Kono, its former president, and enjoyed spectacular growth over a decade, through tie-ups with major domestic and overseas manufacturers. It continued to thrive until 200 to 300 larger manufacturers entered the market.

Its troubles surfaced last summer after excessive investment in Research and Development. It posted sales of Y9.02bn for the year to January 1985 but sales for 1985-86 fell to Y3.96bn. It also became clear that a subsidiary was saddled with a large loss.

With financial support from Daiichi Mutual Life Insurance it sought a rescue by a larger maker. After replacing the founder Mr Toshio Kono in April, Mr Tetsuo Maruyama, former senior managing director of Kyocera Corporation tried to rehabilitate the company. The task became impossible, however, when negotiations on a tie-up with Yokogawa-Hokushin Electric fell through.

# Britannia Arrow profits rise 35% to £13.5m

BY PHILIP COGGAN

Britannia Arrow, the financial services group, which recently fought off a bid from Guinness Peat and acquired MIM, has announced pre-tax profits of £13.5m for the six months to June 30 1986, up from £10.05m in the same period of 1985, a rise of 35 per cent. Fully diluted earnings per share were up 30.4 per cent from 3.88p to 5.06p.

MIM was acquired via a rights issue and there is a small contribution from it in these figures, after financing costs. Following the MIM acquisition, Mr Michael Newman, Britannia's chief executive, resigned. Effective control of Britannia has now passed to Mr David Stevens, chairman of MIM and of United Newspaper.

Pre-tax profits include contributions of £9.7m (£7.1m) from investment management, £5.7m (£4.9m) from merchant bank Singer & Friedlander, £1.04m (£1.05m) from investment and interest income, and £1.03m (£1.03m) from property. Interest payable was down from £3m to £2.75m, and there was an exceptional debit of £188,000 relating to the start-up costs of new UK and offshore insurance companies.

After a tax charge of £4.05m (£3.02m) and minority interests of £453,000 (£472,000), there were extraordinary credits of £2.37m, which comprised a profit on the sale of investments of £2.8m and miscellaneous losses of £434,000. Profit after tax and extraordinary items was £11.37m, down 10 per cent on the first half of 1985.

As a result of the MIM acquisition, funds under Britannia management have increased by £3.8bn to over £8bn, of which around half are managed overseas. Turnover was £370m in the first half, compared with £266m in the same period last year.

Mr Geoffrey Rippon, chairman, said that "investment management activities both in the UK and overseas continue to expand and flourish. The company continues to seek new opportunities for further growth."

The interim dividend is being increased from 1.2p to 1.8p, partly to reduce disparity. At the time of the rights issue, the company forecast a total dividend of 4.2p per share.

### ● comment

These figures were at the upper end of analysts' estimates and the shares closed up 3p at 154p. But the City is less likely to pore over the minutiae of these results than to ponder the question: whither will the Arrow fly now that Mr Stevens rules Britannia? Already rumours are circulating that Singer & Friedlander, which has had a few owners in its time, will be put up for sale and the proceeds used to concentrate on investment management. Certainly, it ought to be no surprise that Britannia can make money out of investment management in a bull market, but a downturn might make Britannia grateful for all the diversification it can handle. For the full year, after £3m from MIM and £1m from insurance, pre-tax profits of £30m look feasible, leaving the shares on a prospective p/e of 12.5.

# UEI acquires Solid State Logic

By David Thomas

UEI, the electronics and engineering company, has acquired Solid State Logic, a private company making advanced audio mixing systems, in a move which UEI says will leave it better placed to tackle the broadcasting and audio markets.

The deal was well-received in the City with UEI's share price rising by 24p to 322p.

Under the terms of the deal, Mr Colin Sanders, SSL chairman, will receive 8,901,709 UEI ordinary shares for his 99.7 per cent holding in SSL.

This represents 14.4 per cent of the enlarged share capital of UEI, making Mr Sanders the second largest shareholder in UEI. It would have been worth £26.3m at the close of business on Wednesday.

Mr Sanders, who will join the UEI board together with Mr Geoffrey Rampton, SSL finance director, has waived dividends on these shares until July 1988 and has agreed to retain over 80 per cent of the shares for about four years.

If SSL's pre-tax profits exceed £4.5m during either of the financial years beginning February 1987 or 1988, Mr Sanders will be issued a further 2,526,051 UEI shares.

Last year, SSL had pre-tax profits of £3.3m on turnover of £18.6m.

UEI said that SSL fits particularly well with its Quantel business, which produces advanced digital imaging techniques for broadcasting and other industries. Quantel provided the major part of UEI's pre-tax profits last year, which were £13.1m on turnover of £95m.

UEI said that savings could be made on distribution channels for Quantel and SSL products, which it claimed were world leaders, because they were sold in similar markets.

Last year, 62 per cent of UEI sales and over 75 per cent of SSL sales came from exports.

UEI believed that in the medium term there would be scope for the development of products using both Quantel and SSL technologies, because the audio and video markets were converging.

UEI said that, based on figures for the end of the past financial year, the new company would have had gearing of just under 45 per cent and would have had a 7 per cent increase in earnings per share.

# Oil price fall hits BP in first half

BY LUCY KELLAWAY

BP yesterday announced a dramatic fall in first half profits on a historic cost basis from £859m to £236m, due to the fall in oil prices.

However, on a replacement cost basis, the figures show a large improvement on 1985, with profits of £1.2bn against £859m in the first half of last year.

The large difference between BP's results on a historic and replacement basis reflects the extent of stock losses created as a result of falling oil prices. In the second quarter these losses amounted to £261m, although well below losses in the first three months of £718m.

As a result, second quarter profits fell back from the record achievement of the first quarter, with historic profits of £475m well short of the £740m made in the previous period.

Sir Peter Walters, chairman of BP said yesterday: "These results show that, in spite of the problems caused by a turbulent oil market, and severely depressed prices, the financial position of the BP group remains strong. For oil prices and markets, the outlook for the second half of the year is still very uncertain."

Standard Oil, BP's troubled US subsdiary, announced in July a special charge of $1.43bn before tax in the second quarter. While the effect on BP's earnings was negligible, it has resulted in an extraordinary charge of £316m, relating to extensive restructuring of Standard's assets.

BP's financial position strengthened during the first half of the year, with group cash balances rising from £2.2bn to £3.6bn. In view of the present unclear outlook, such resources would give BP greater flexibility, the company said yesterday.

Exploration profits were hardest hit by the fall in oil prices, with BP profits down from £244m to £152m in the first quarter, as the price received for Forties oil fell by about 40 per cent to $12. The weakness of the dollar exaggerated the effect measured in sterling.

Production, which averaged 700,000 barrels a day, was also lower than in the first quarter, mainly because of maintenance work being carried out in the North Sea.

BP Oil International, the group's downstream company, had another strong quarter, albeit less good than the first quarter of the year. It made a profit of £298m on a replacement cost basis, benefiting from the time lag between falling crude and falling product prices.

A similar time lag was evident in a good performance from BP chemicals, which made £50m, nearly three times as much as in the second quarter last year.

Second quarter earnings per share were 11.7p compared with 18.8p, and the interim dividend of 12p is unchanged on last year.

## COMPANY NEWS IN BRIEF

EX-LANDS, investment holding company, said its first half 1986 figures reflected the decision to increase liquidity by securing unusually large profits from long-term investments and the success of its dealing subsidiary in a volatile market. Dividend receipts came to £24,000 (£22,800), dealing profits £35,000 (£6,600), surplus on disposals £99,000 (£33,000), and provisions made against 5 per cent interest in unlisted investment £23,300 (nil). Profit £17,400 (£3,900). Net asset value 21.2p (17.5p). Year's dividend forecast at 0.6p (same).

UNITED STATES Debenture Corporation, the largest of the six publicly-quoted investment trusts managed by GT Management, had a net asset value of 351.7p at end-June 1986, against 275.8p six months earlier. Net profit for the six months was £3.6m (£419,613) for earnings of 5.15p (0.53p) per stock unit. The interim dividend is an unchanged 2.25p, and the directors expect to maintain the final at 4.27p.

Maybew is unconditional in all respects. Northern now lays claim to 83.5 per cent of the ordinary. The offer remains open unil further notice.

BRISTOL OIL and Minerals has sold its interests in the Dutch North Sea for £2.6m to a German company. This has been used to reduce the debt to Sceptre Resources to £1m and that will be repaid over a three-year period. Overall debt of Bristol amounts to £8.5m. Further discussions are taking place over the sale of the company's Malaysian barite and Indonesian oil interests.

SCOTTISH Investment Trust reports revenue before tax of £5.99m (£5.83m) for nine months to end-July 1986. Net asset value per 25p share at that date was 459.1p compared with 349p on October 31, 1985.

T. F. & J. H. BRAIME (Holdings) improved pre-tax profits from £46,410 to £56,878 in the six months to end-June 1986. Turnover was £1.8m (£1.76m). After tax of £20,618 (£19,144) earnings came out at 2.28p (1.63p) per share. The interim dividend is held at 1.5p.

MURRAY Income Trust final dividend is 3.6p as forecast, making a 5.4p (5p) total for the year ended June 30 1986. Interim payment for current year is 2p (1.8p) and total not less than 6p is forecast. Net asset value per 25p share was 185.2p (135p) as at June 30, while earnings are shown as 5.48p (5.22p) per share.

Rohan Group said Simi Investments of Los Angeles, an affiliate of Rohan California Investments, had sold its 135,000 sq ft high-tech development in Simi Valley, California, for $6.9m.

MURRAY International Trust net asset value per share increased to 211.2p at the end of the six months to June 30 1986, compared with 158.8p. After tax of £1.55m (£1.99m) earnings are shown as 2.59p (2.57p) and 2.54p with 'B' shares fully converted.

NEW LONDON OIL is buying certain US oil and gas properties from Guinness Peat.

SEARS offer for Milletts Leisure Shops has received acceptances totalling 5.08m shares, equal to 97.6 per cent of the equity. Sears intends, in due course, to acquire the balance compulsorily.

LEIGH INTERESTS has entered into a conditional contract to sell the assets of the Scottish division of Roche Mechanical Handling to Leader Lift Trucks, a company formed by its management, for £700,000.

SCANTRONIC HOLDINGS' rights issue of £2.97m of convertible cumulative redeemable preference shares was 93 per cent taken up.

# Brierley meets Panel rules on OT&T bid

By Terry Povey

Mr Ron Brierley's IEP (UK) yesterday supplemented Wednesday's brief statement announcing its intention to bid almost £233m for the 90.2 per cent of Ocean Transport & Trading it does not already own.

The Takeover Panel, which had received a complaint that the earlier statement was not in the correct form for an intended offer, asked IEP to cover these points in a supplemental statement. Last night the Panel said that it was now satisfied that the takeover codes rules were being observed and that IEP now has 26 days to issue a formal offer document.

Meanwhile, the search for a merchant bank to advise Mr Brierley over the bid for OT & T is continuing. One of the New Zealand entrepreneur's aides said yesterday that "we have had many offers."

IEP's financial adviser problem arose last week when Kleinwort Benson, which had been working on the draft of a takeover plan for OT & T on Mr Brierley's behalf, felt obliged to withdraw after another of its clients, Hargreaves Group, became involved. Mr Brierley believes that OT & T was close to making an offer in the region of £90m for Hargreaves.

The 225p a share offer for the shipping, fuel distribution and freight forwarding group, compares with OT & T's close of 232p, down 3p.

# More fireworks expected over Extel/Maxwell row

BY CHARLES BATCHELOR

THE SIMMERING row between Extel, the business and sporting information group, and Mr Robert Maxwell is expected to come to a head at today's extraordinary shareholders' meeting called to approve Extel's purchase of Dealers' Digest, a US financial publisher.

Mr Maxwell has built up a 29.9 per cent stake in Extel in recent weeks with the short-term aim of blocking the Dealers purchase, which he considers to be too expensive, and the longer term intention of acquiring control of Extel.

Mr Maxwell is currently cruising the Mediterranean but his merchant bankers, N. M. Rothschild, and a number of other shareholders will be taking up his argument that at $40m in shares, the agreed purchase price for Dealers is too high.

Extel can also expect criticism from Mr Peter Earl, a director of Ifincorp Earl, a small corporate finance house which masterminded an abortive bid for Extel by the specially created Demerger Corporation earlier this year.

Mr Earl, who represents a shareholder in Extel, yesterday queried the lack of warranties given by the Dealers Digest management for the current year's profits.

"It's abnormal in a US takeover for there to be no warranties," Mr Earl said. "With 10 months of the year gone they should be able to provide warranties."

Mr Alan Booker, Extel chairman, retorted that he had management accounts for the first 11 months of the year ending August 31 and management estimates for the final month so warranties were superfluous.

N. M. Rothschild is expected to be particularly critical of the fact that McCorquodale, another printing group, paid only $2m for a 25 per cent stake in Dealers in a deal agreed in December 1982 while Extel is now offering proportionately five times as much for full control.

Kleinwort Benson, Extel's merchant bank, was also adviser to McCorquodale on its purchase of the Dealers' shares. McCorquodale has agreed to sell its holding to Extel.

Mr Booker dismissed this argument saying the increased price was a measure of how Dealers' business had expanded over the past 3½ years.

Extel requires a simple majority for today's resolutions. Mr Booker said he believed he had the support of the institutions but uncertainty surrounds the way MIM, the fund management group headed by Mr David Stevens, an associate of Mr Maxwell, will vote.

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The FLP Group has conditionally agreed to acquire 40 per cent of Edi Conseil, a sales promotion agency based in Paris, together with KPA Marketing of Kettering and Merchandising Sales Force of Worthing.

## Yearlings

Yearling bonds totalling £1.25m at 9¹⁵⁄₁₆ per cent, redeemable on September 2 1987, have been issued by the following local authorities. Merthyr Tydfil Borough Council £0.5m; Alnwick District Council £0.5m; and Brentwood DC £0.25m.

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corre-sponding div. | Total for year | Total last year |
|---|---|---|---|---|---|
| Alida Holdings ...int | ‡2.25 | Oct 3 | 2.17* | — | 6.5* |
| BP ....................int | 12 | — | 12 | — | 34 |
| T F & J H Braime int | 1.5 | — | 1.5 | — | 3.5 |
| Britannia Arrow ...int | †1.8 | Nov 14 | 1.2 | — | 4.2 |
| Eng & Scottish ......int | 0.5 | Oct 24 | 0.5 | — | 1.4 |
| Federated Housing int | 1.3 | Oct 23 | 1.1 | — | 3.3 |
| Ladbroke ............int | †5.5 | Oct 27 | 5 | — | 11.25 |
| Lec Refrig ..........int | 4 | — | 4 | — | 12.5 |
| Pentland Industries int | 0.25 | Nov 3 | 0.17* | — | 0.75* |
| Refuge Group ......int | 5 | Nov 6 | 4.5 | — | 13.75 |
| Smith St Aubyn ...... | nil | — | 0.5 | 0.5 | 2 |
| Ward Holdings ...int | 1.75 | Oct 9 | 1.75 | — | 7.25 |
| USDC ...............int | 2.25 | Oct 10 | 2.25 | — | 6.52 |
| Wingate Props ......int | ‡0.61 | Oct 31 | 0.55 | — | 1.87 |

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

# UK COMPANY NEWS

## Ladbroke rises to £31m with Home Charm's help

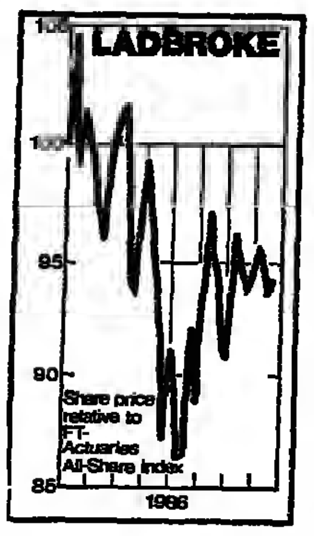
THE Ladbroke Group, which added DIY retailing to its other core businesses of hotels, *property* and racing via the acquisition of Home Charm earlier this year, yesterday announced that its first half profits had risen by £5m to *£30.5m pre-tax*.

The directors pointed out that the result, which included 10 weeks' figures from Home Charm, was particularly noteworthy being that the comparable figure of £25.5m was itself some 80 per cent ahead of the 1984 return.

Group turnover for the half year to August 17 improved by £202.7m to £778.9m and at the operating level profits *increased from £31.4m* to £44.2m.

The pre-tax result was struck after taking account of a £7.8m rise in interest charges to £13.7m. These increased charges reflected expansion of the group's investment properties and continuing *capital* investment in the core businesses and in Home Charm.

The second six months will take in surpluses arising from new property developments in the US. In addition, further progress has been made acroß the group since the end of the half year and in all, the directors were looking for another good year.




Tax for the opening half accounted for £11.3m (£9.9m) and minorities for £0.1m (£1.1m).

There were also extraordinary credits of £20.2m (nil), being profits which arose on the disposal of business operations.

Earnings, pre-extraordinaries, worked through 1p higher at 8.32p and the interim dividend is being lifted from 5p to 5.5p net *per 10p share*.

The UK and US property companies continned to progress with good lettings overall. In London's West End, the group's properties achieved a record rent for the area when its 65,000 sq ft office redevelopment of the former Debenham & Freebody building in Wigmore Street was let, shortly after completion, at £30.50 per sq ft on the basis of a 25-year lease with five yearly upward reviews.

Ladbroke owns the freehold of the development which incorporates 15 new apartments on Welbeck Street to be marketed next month.

The directors summed up by revealing that since the introduction of new legislation in March of this year, the UK off-track betting business had *increased its turnover and* its budgeted net margin.

They edded that, as anticipated, live television broadcasting had proved attractive to customers and with the planned introduction at the end of this year of satellite racing services, daily television coverage would be phased into all the division's units during 1987.

The half year results were in line with City estimates.

See Lex

## Crowther buys Speedo offshoots

BY CHARLES BATCHELOR

John Crowther Group, the expansion-minded textile manufacturer, is paying £10m for the UK and German operetions of Speedo *Holdings* of Australia. The move brings to nine the number of companies acquired by Crowther this year.

Speedo's most valuable asset is *its* brandname and *lightning* flash logo which it uses on a range of swimwear. Crowther plans to use the name on a range of sporting and leisurewear.

Crowther has built np e clothing division with annual sales of £90m by a series of acquisitions throughout the past year, but lacked a major brand name, Mr Michael Abrahams, the deputy chairman, said.

*Speedo* had acquired a name in the serious swimwear market but had begun to branch out into a range of breachwear.

Crowther will be buying Speedo Europe, a British company with a manufacturing plant in Nottingham, and *Speedo Dentschland*, a marketing company in Germany.

These two companies made a pre-tax profit of £1.1m on turnover of £9.9m in the year ended June 1986. They had net assets at that date of £4.2m.

Speedo Holdings, the Australian parent, was taken over recently by another Australian *company, Linter Group*.

Crowther will pay royalties to Speedo Holdings for the use of its brand name in Europe, the USSR, the Middle East and North Africa. Royalties amounted to £340,000 last year.

Crowther will finance the deal by a vendor placing of 6.48m shares.

The trend will be continued by Crowther.

Crowther's previous bid was a double-headed offer made in June for A. & J. Gelfer, a hosiery, hats and tie group (valued at *£20m*), and for *Sunbeam* Wolsey, the Irish and clothing and yarn business (valued at £11.5m).

Gelfer yesterday announced a marginally higher pre-tax profit of £1.17m in the year ended March 1986 compared with £1.15m the year before. Turnover rose from £6.19m to £7.46m. It paid a final dividend of 3.4p (3.3p) in June making 5.4p (5.2p) for the year.

The figures refer only to Gelfer and take no account of its subsequent merger with David Dixon Group, a hosiery manufacturer, which was followed several weeks later by the agreed bid from Crowther. Crowther's shares rose 3p to 173p.

## Meggitt succeeds in bid for Bestobell

*By Martin Dickson*

Meggitt Holdings, the specialist engineering group, yesterday clinched victory in its *£85m takeover* bid for Bestobell, the electronic and mechanical components manufacturer.

It is the first contested bid in the engineering sector to succeed since the failure early in the summer of Siebe's £220m bid for APV Holdings and Evered's £160m offer for *McKechnie Brothers*.

Meggitt said that it had acceptances covering 53.85 per cent of Bestobell's ordinary shares and had declared *its* offer unconditional. The victory had been widely expected, since 24 hours earlier, in an attempt to persuade wavering shareholders, Meggitt announced that it spoke for 49.51 per cent of the shares.

*The bid* was unveiled in mid-July. It had a powerful advantage as the offer was backed by BTR, the large industrial holding company headed by Sir Owen Green, which held a 29 per cent stake in Bestobell.

The holders of 48.27 per cent of Bestobell's shares have accepted the share offer, with 5.58 per cent going for the cash alternative.

Meggitt has been transformed from a lossmaker into an ambitiously acquisitive, higher technology group since the arrival in late 1983 of Mr Ken Coates, *chief executive*, and Mr Nigel McCorkell, finance director.

## Whitecroft controls 2.7% of Eleco

Whitecroft, the textiles, lighting and building group which has launched a £26.7m hostile bid for fellow *industrial conglomerate*, Eleco Holdings, controls 2.76 per cent of Eleco. Whitecroft bought 56,000 Eleco shares at 143p per share on Wednesday. The *final closing* date for the Whitecroft offer is today.

## T&N lifts AE stake

Turner & Newall, the mining and engineering group which has launched a £244m hostile bid for AE, the motor components group, has raised its stake in AE to 24.09 per cent.

## Allied Irish Banks calls for I£76m via one-for-four rights

BY HUGH CARNEGY IN DUBLIN

Allied Irish Banks yesterday announced a rights issue to raise *I£75.6m* (£69.3m) net of expenses to boost development of its international business and its lending facilities in Ireland.

The bank is offering 42.3m new shares on a one-for-four *basis at I£1.85, a discount* of 20 per cent on Wednesday's closing price *of I£2.36*.

It is the biggest rights issue ever by a qooted Irish company. It represents *about three* per cent of the market capital of the Irish equity market. The issue comes amid worries over growing political uncertainty in Dublin and a worse-than-expected performance by the economy.

The rights has been *fully* underwritten by Butler and Briscoe, J & E Davy, County and Panmure Gordon and Co. Dealings begin next Monday. Payment in full *is* due by September 19.

Along with the announcement Mr *Niall* Crowley, the bank's chairman, forecast pre-tax profits of not less than £50m in the six months to the end of September. An interim dividend *of 5p will be paid*, compared with 4.5p last year. The final was expected to be 6.25p, making a total of 11.25p (10p).

About half of Allied Irish *Banks profits, which rose* by £3m to £87m in the year to the end of March, were now earned outside the Irish Republic where the depressed economy had held back *business* in recent years.

Mr Crowley said the additional capital earned from the issue would enable the bank to expand in the UK and elsewhere ebroad.

It would also help the bank "implement the most appropriate strategy" for its investment in First Maryland Bank in the US in which Allied is committed to take a controlling *stake by the end of 1987*.

First Maryland has proved a winner for Allied Irish, contributing £16m to group profits last year. Its options are to stay with First Maryland, swap its investment for a stake in a larger US institution or sell out for the *cash profit*.

The bank said it was looking at a number of possibilities for expansion, including more acquisitions overseas and moves into *other financial* services such as building societies and stockbroking.

Its main rival, Bank of Ireland, recently took over the Irish Civil Service Building Society. Allied Irish was also *looking at the possibility of* obtaining quotes in New York and Tokyo.

One field it will avoid is general insurance where it was *forced to write off about £90m* following the collapse in 1985 of its subsidiary, the Irish insurance Corporation.

In Ireland the proceeds of the issue would be available for lending, enabling the bank to take full advantage of any upturn in the economy.

## Reebok keeps Pentland running

*BY PHILIP COGGAN*

ANOTHER greatly improved contribution from Reebok International allowed Pentland Industries to declare half-year pre-tax profits up by nearly 75 per cent from £19.6m to *£34.3m. Earnings per share* were almost trebled at an adjusted 20.26p, against 6.91p.

The interim dividend is being increased by 47 per cent from 0.17p to 0.25p.

Pentland bought a 55 per cent stake in Reebok, ethletic footwear manufacturer, in August 1981 for only $77,500 and has profited ever since as the US company enjoyed breakneck expansion during the aerobics boom. In August 1985, Reebok was floated on the US over-the-counter market and Pentland received about $12.5m for share sales which reduced its stake to about 40 per cent.

Reebok contributed £29.1m to pre-tax, and £14.7m to after-tax, profits for the six months to June 30, 1986. After-tax profits for the whole Pentland group were £19.3m, oo turnover of £181.6m, compared with £10.6m on £115.3m in the first half of 1985.

Minority interests took £486,000 against £4.12m, reflecting *Reebok's changed status*.

Pentland's non-Reebok activities also showed increased profits with their contribution up from £1.8m to £5.2m pre-tax. Mr Stephen Rubin, chairman, said yesterday that "trading levels obtained during the first half of the year have continued into the second six months and *we therefore expect to achieve* another year of substantial growth."

A sum in excess of £15m, arising from Pentland's share of increases in Reebok's share premium account, has been credited directly from reserves.

### ● comment

The success of Reebok has been phenomenal enough to impress even the most hardened cynic but stories have recently *started to circulate that demand* is topping out for the Yuppies' favourite jogging shoe. That must increase the temptation for those investors who have ridden up with the *shares* since they were around 50p to indulge in a spot of profit-taking now that they have reached the giddy heights of 465p. However, an order backlog of $400m, compared with $120m at the same time last year, would seem to indicate that the scare stories have more basis in the imaginations of *NASDAQ* investors who have gone short on the stock. Part of the appeal of Reebok shoes has been the company's conscious decision *to limit their availability* and, although fashion is a fickle friend, with the preppies about to go back to high school, the sales of basketball shoes on the *up and much of* the world still to be conquered, there seems no reason why the second half should not be just as good for Reebok sales. What is fair comment is that the kind of phenomenal growth Reebok has managed cannot be repeated. Pentland is only too aware of the need to diversify and it is hoping for good growth from its recent stake in Holmes Corporation, which manufactures "designer" fans. Further US purchases may follow. Assuming full-year profits to £72m pre-tax, the shares are on a undemanding p/e of 11, considering the growth record.

## Prudential may sell subsidiary in SA

*By Jim Jones in Johannesburg*

TRADING IN shares of Prudential Assurance South *Africa* has been suspended in Johannesburg *among* growing speculation that Prudential Assurance is negotieting to sell its 64.7 per cent controlling interest.

Mr Dorian Wharton-Hood, *Prudential's managing director* in South Africa, confirmed that negotiations were taking place which could affect the value of the South African company, but *he would not* disclose what they were until September 7.

In London, Mr Brian Medhurst, managing director of Prudential's overseas division said: "We are not making any comment. Our local people are involved in some negotiations and an *announcement* will be made pretty soon."

Speculation in Johannesburg centres on the control of the South African company being sold to Liberty Life, the country's third largest insurance group, or to Lifegro, Legal and General's erstwhile South African arm. It has also been suggested that the company might be forging links with one of the major building societies which are *planning to become* limited liability companies during the next few months.

Prudential's shares were last traded et R9 each before trading was *suspended*. This would value the company at approximately R280m (£38m at financial exchange rate).

The company recently reported that premium income rose to R113m in the first half of this year from R83m in the corresponding period of 1985. Total assets were R1.95bn at the end of June.

Prudential is the only major life office which has not forged links with other financial institutions. Lifegro is controlled by Volkskas, the country's fourth largest banking group, while Liberty Life is linked to Standard Bank through cross shareholdings. Standard Bank and United Building Society, which is due to acquire e stock exchange listing early in *December*, severed their business links this week.

## Wingate profit over £0.5m

Wingate Property Investments, which recently agreed *to become a subsidiary of the* New Zealand-based Chase Corporation, yesterday reported a rise in first half taxable profits from £409,000 to £584,000.

Gross rental income rose 8 per cent to £1.17m (£1.08m). The directors declar d an interim dividend of 0.61p (0.55p).

## Smith St Aubyn

Smith St Aubyn (Holdings), the discount house which was taken over by *King & Shaxson* in May, yesterday reported lower pre-tax losses of £210,560 for the year to April 5, 1986, against a previous £628,410.

The directors do not recomment a final dividend (0.5p last time) so the total for the year falls from 2p to 0.5p.

Retained losses for the year, after providing for rebate, tax and all expenses, were reduced from £1.2m to £458,150. Last time there was a transfer from the contingency reserve.

## PSM agrees to McKechnie bid terms

*By Lionel Barber*

PSM International, the plastics fasteners business, has agreed to recommend the *£24m* bid *launched by* McKechnie Brothers, the specialist engineer, *earlier this month*.

McKechnie's success was already assured when *PSM's* chairman and managing director, *Mr James Tildesley*, who speaks for 57.6 per cent of PSM shares, accepted the offer.

But Mr Tildesley, in a gesture to minority shareholders' interests, has waived all but 1.2p net per PSM share of his entitlement to a special interim dividend of 3.55p. This *has enabled PSM to increase* the payment to shareholders from an originally announced amount of 2.2p per share.

Mr Tildesley has also agreed to accept the McKechnie offer in such proportions of shares, cash or loan stock as to allow PSM shareholders full choice on the mix.

McKechnie said thet these changes did not increase the cost of its offer.

## Clyde Petroleum in share deal for NU oil assets

BY LUCY KELLAWAY

Clyde Petroleum yesterday became the latest of the UK independent oil companies to strike a deal which will enhance its assets and provide *it* with greater cash flow. It has agreed to buy oil assets of Norwich Union in an all share deal, which based on Clyde's share price of 35p *is worth about £4m.*

Along with the assets, which include a 0.25 per cent stake in the giant Forties field in the North Sea, Clyde will also *receive cash of £3.75m*. In return, Norwich Union will get 11.5m shares in Clyde, which with the 2.9m shares it alresdy holds, will increase its stake in the company *to* 11.1 per cent.

Mr Colin Phipps, chairman of Cylde, said yesterday that it was mistaken to look at the deal based on the current valne of Clyde's shares, which would imply a value for the Forties oil of well under $1:: e barrel. "The Norwich Union would not have been eble to buy our shares in the market et a price of 35p," he said yesterday.

He said that the assets, the *cash* and the *cash flow* from Forties would greatly increase Clyde's ability to raise money to finance further asset purchases, which is the company's *aim*.

"We believe that the thing to do today is to get good oil in the ground at depressed prices. We are in a better position to do that than Norwich Union, as we are much larger

For Norwich Union, the deal allows it to exchange a direct participation in depressed and difficult UK oil exploration, for a significant stake in a more broadly based oil group.

In addition to the Forties stake, which will add to Clyde's existing 0.75 per cent interest in the field, the deal includes stakes of between 7 per cent and 30 per cent in seven offshore blocks, and two onshore blocks.

## Competition and weather hit Lec first half profit

BAD weather and intense competition were blamed for the fall in first half 1986 profits at Lec Refrigeration, commercial and domestic refrigerator manufacturer, from £1.32m to £732,000 pre-tax.

After tax of £265,000 (£558,000) earnings were *£467,000 (£763,000)* equal to a per share value of 7.72p against 12.62p. The interim dividend is, however, maintained at 4p—last year's final payment was 8.5p.

The directors explained that results reflected the slow trading caused by the bad weather of the first few months of the year, together with the "intense competition in the industry which was heightened by an increase in dumping of products from eastern Europe."

They edded, however, that trading recovered in the second quarter and are hopeful that results for the remainder of the year will be closer to the £1.45m achieved in the second half of 1985. Full-year profits last year were £2.77m (£3.35m).

First half turnover fell by £2.2m to £23.79m.

### ● comment

Exceptionally cold winter weather has depressed LEC's *refrigerator and fridge/freezer* sales for th esecond year in a row. However, it is the East European cheapies, eating away at the bottom end of the market *traditionally dominated by LEC*, which are doing the most long-term damage. Earnings per share this year will almost certainly be down on 1985's 25.88p, *itself lower than anything seen* since 1979, and the dividend seems likely to be stuck for the fourth year running. At some point soon thefuture of Lec *seems bound* to be up for a reconsideration as it does not appear likely to break out of e £1½m to £3m profits range, even if the EEC comes to its aid over dumping. *One-third* of the company is in the hands of chairman Mr Charles Purley who is in his 70s and since the tragic death of Mr Purley's son last year the succession issue has been clouded. Bid rumours have kept the share price up but so far no takers have declared themselves—and there are those in the City who believe that at anything above the £2 level it will be hard to find buyers. The shares, down 8p at 245p, still seem overvalued given the earnings *outlook* this year and next.

ALLIANCE LEICESTER

**Alliance & Leicester Building Society**

Issue of

**£200,000,000 Floating Rate Notes 1993**

In accordance with the provisions of the Notes, notice is hereby given that, for the three months period, 27th August, 1986 to 27th November, 1986, the Notes will bear interest at the rate of 10 per cent. per annum. Coupon No. 3 will therefore be payable on 27th November, 1986 at £2,520.55 per coupon from Notes of £100,000 nominal and £126.03 per coupon from Notes of £5,000 nominal.

S. G. Warburg & Co. Ltd.
*Agent Bank*

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**Canadian Imperial Bank of Commerce**
(A Canadian Chartered Bank)

**U.S. $250,000,000**

**Floating Rate Deposit Notes Due 2005**

In accordance with the provisions of the Notes, notice is hereby given, that for the Interest Period from March 26, 1986 to September 26, 1986, the rate for the final Interest Sub-period from August 29, 1986 to September 26, 1986, has been determined at 5 11/16% per annum, and therefore the amount of interest payabla against Coupon No. 3, on the relevant interest payment date September 26, 1986, will be US$345.34.

The Chase Manhattan Bank, N.A., London, Agent Bank

August 29, 1986

CHASE

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**Lloyds Bank Plc**
*(Incorporated in England with limited liability)*

**U.S.$600,000,000**

Primary Capital Undated Floating Rate Notes—Series 3

In accordance with the terms and conditions of the Notes and the provisions of the Agent Bank Agreement between Lloyds Bank Plc and The Chase Manhattan Bank, N.A., dated 26th August, 1986, notice is hereby given that the Rate of Interest for the initial Interest Period beginning on 28th August, 1986 has been fixed at 5.9750% p.a. The relevant Interest Payment Date is 27th February, 1987 (making an interest period of 183 days), and payment of US$303.73 per U.S.$10,000 principal amount will be paid through Cedel S.A. and Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euro-clear System and will be credited to the account of a person entitled thereto upon receipt of a certificate to the effect that the beneficial owner of the Note is not a U.S. person.

Lloyds Bank

29th August, 1986

By: The Chase Manhattan Bank, N.A., London, Agent Bank

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**THE FINANCIAL TIMES**
is proposing to publish a Survey on
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Publication date: November 5 1986

1. Introduction
2. Who's who in Market Research
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4. Case Studies
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8. The US Scene

Information on advertising can be obtained from Nina Jasinski. Telephone number 01-248 8000 ext 4611
Publication date subject to change at the discretion of the Editor

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# UK COMPANY NEWS

## Alida rises midway and acquisition benefits ahead

DESPITE LESS buoyant trading conditions during the first three months of 1986 **Alida Holdings**, manufacturers of polythene packaging, was able to lift its profits at the six mooths' stage from £1m to £1.29m pre-tax.

Tha USM group has been busy on the take-over from this year and yesterday tbe directors said that recent acquisitions would greatly strengthen Alida's presenuce in the general merchanting field of packaging.

They added that they would also make a "significant" contribution to profits in the secon dhalf of this year.

At present, all companies within the gronp were continuing to make good progress with the exception of the reprocessiog company.

A major part of the current year's investment in new plant was commissioned during the middle months of the year.

It was pointed out that the group's order books bad strengthened in the last few weeks and that it was experiencing a high level of utilisation of its increased capacity.

Alida's film manufacturing, bag making and printing activities were buoyant and prospects for the group remained eocouraging.

Turnover for tha first six months pushed ahead from £13.67m to £14.57m. After tax of £485,000 (£374,000) after minoritties, profits emerged at £800,000, compared with £624,000.

Earnings improved to 8.81p (7.19p). The net interim dividend is being increased to 2.25p (2.17p edjusted), in line with the directors intention to at least maintain the total at 6.5p after adjusting for the one-for-two scrip issue of last Marcb.

In June the group acquired Wrapping Paper (Birmingham) and Industrial Polymers (UK). Last month it purchased tha G W Heath group of companies for an iintial consideration of £4.75m.

Heath made pre-tax profits of £482,000 in the first six months but as the acquisition took effect from July 1 its figures were excluded

## F. French plans listing by reverse takeover

By Alice Rawsthorn

F. Jahn French, e privately-owned advertising agency, plans to secure a quotatioo on the Stock Exchange by effecting the reverse takeover of a listed company in a complementary area of the marketing services sector.

The agency has, according to its chairman, Mr John French, secured agreement in principle from the unnamed listed company for a reverse takeover. Mr French expects to conclude negotiations within the next two or three weeks.

"We have considered seeking a public quotatioo on several occasions in the last 18 months," said Mr Freoch. "The obvious options were to float on the USM or a reverse takeover. We have spoken to two or three companies about a takeover, but the current proposals are by far the most appropriate."

F. John French is a very small advertising agency by the stockmarket's standards. It was the 116th largest egency, with billings of £8m, in the magazine Campaign's 1985 league table. Mr French expects to have produced pre-tax profits of £200,000 on turnover of £7.5m in the last financial year.

If negotiations proceed according to plan, once the takeover is completed F. John French will take a majority sbareholding and Mr French will become chairman of the resulting company.

## Federated Housing at £0.85m

AS PREDICTED at last April's annual meeting **Federated Housing** maintained a good level of gross trading margins during the first six months of 1986.

This reflected buoyant conditions in the bousing market in the south-east and as a result taxable profits for the period rose to £850,000, an improvement of 10 per cent over the figures for the corresponding months of 1985. Trading margins increased from 7.66 per cent to 8.83 per cent.

Turnover pushed ahead from £5.17m to £6.57m, bnt it would have been greater but for the exceptionally wet spring. Delays in the construction programme should be made up in the second six months.

Profits included £270,000 (£374,000) from tha sale of undeveloped land. Tax took £310,000 (£331,000) and left the available balance at £540,000, an improvemant of £100,000 on last time.

Earnings emerged at 6p (4.9p) and the interim dividend is being stepped up from 1.1p to 1.3p net per 5p share.

The company is extending its activities in Kent and this month is starting two substantial new developments at Chatham and Sittingbourne.

Continned commitment to sheltered scbemes was evidenced by a successful development of retirement homes at Porchester. Adjacent land for a second phase bas been acquired for the 1987 programme.

The directors said that considerable management effort bad been devoted to land assembly, both for immediate requirements and also for medium and longer term needs.

They added that although the process of site acquisition and planning can be a long one, they were pleased with progress made to date this year.

## Winter weather hits Ward Holdings profits

**Ward Holdings**, Kent-based property developer, was adversely affected by winter weather conditions and minimal work was carried out during the first three months of the year.

As a result, profits for the half year to April 30 1986 declined from £2.52m to £2.23m at the pre-tax level.

Housing sales fell by £1.72m to £10.07m bnt those of plant hire edged ahead from £749,000 to £761,000.

Tax accounted for £759,000 (£781,000) and left net profits at £1.47m, compared with a previous £1.74m.

Earnings worked through at 11.2p (13.2p). The net interim dividend is a same-again 1.75p.

In his interim report Mr D. J. Ward, the chairman and managing director, said he had no reason to change the comments he made in his last full year statement when he said that market conditions continned to be buoyant and that the results for the full 1985-86 year would reflect this in a significant way.

## English & Scottish net asset rise

**English & Scottish Investors** net asset value per share increased from 99.4p to 118.4p for the six months ended July 31 1986. The interim dividend is unchanged at 0.75p net, wbile after tax of £354,000 (£355,000) earnings came through at £683,000 (£684,000) or 0.83p (0.84p) per share.

## Further loss at Arncliffe

**Arncliffe Holdings**, property developer and building contractor, incurred a further loss of £54,603, against £83,784, for tha first six months of 1986. There is again no interim dividend.

However, the company said that it looked forward to a return to profit and an appropriate final dividend this year.

The first balf loss was struck after lower interest charges of £142,688, compared with £202,568. At the end of April bank borrowings were at their lowest levels for three years.

No tax was payable for the period. Loss per share was 1.09p (1.68p).

## BOARD MEETINGS

TODAY

Interims: Edinburgh Oil and Gas, Gaskell Broadloom, Hutchison Whampoa, Macdonald Martin Distilleries, Padang Senang, Richards (Leicester). Thomson Organisation.

Finals: Samuel Heath, LDH, SelecTV, Smith Whitworth, Zygal Dynamics.

FUTURE DATES

Interims—

| | |
|---|---|
| Blackwood Hodge | Sept 9 |
| British Mohair | Sept 11 |
| Elys (Wimbledon) | Sept 5 |
| Johnsen and Jorgensen Packaging | Sept 23 |
| Kleinwort Smaller Companies Investment Trust | Sept 4 |
| Petranol | Sept 4 |
| Royal Dutch Petroleum | Sept 11 |
| Save and Prosper Gold Fund | Sept 12 |
| Shell Transport and Trading | Sept 11 |
| Usher (Frank) | Sept 29 |
| Willis Faber | Sept 9 |

Finals—

| | |
|---|---|
| General Mining Union Corpn. | Sept 11 |
| Lee International | Sept 17 |
| Lowland Investment | Oct 20 |
| Palmerston Invest. Trust | Sept 2 |
| Ricardo Consulting Engineers | Sept 8 |
| Thermax | Sept 1 |
| Walker (Thomas) | Sept 11 |

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CITY City Federal Savings Bank

**U.S. $75,000,000**

**Collateralized Floating Rate Notes Due 1993**

Notice is hereby given that the Rate of Interest has been fixed at 5·9875% p.a. and that the interest payable on the relevant Interest Payment Date, November 28, 1986 against Coupon No. 1 in respect of U.S.$25,000 nominal of the Notes will be U.S.$386·69.

*August 27, 1986, London*
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

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# MURRAY SMALLER MARKETS TRUST PLC

## MANAGERS: MURRAY JOHNSTONE LIMITED

**Results for the year ended 31 May 1986**

| | 1986 | 1985 |
|---|---|---|
| Equity shareholders' interest | £94,934,311 | £62,221,607 |
| Asset value per share | 339.0p | 222.2p |
| Revenue available for ordinary shareholders | £793,956 | £764,646 |
| Earnings per ordinary share | 2.86p | 2.76p |
| Ordinary dividend per share—interim | 0.80p | 0.70p |
| —final | 1.90p | 1.80p |
| Capitalisation issue in B ordinary shares | 0.82602% | 1.16951% |

**Investment Policy**

Growth in net asset value through an international portfolio with emphasis on smaller markets particularly in Europe, the Far East and Pacific Basin.

**Highlights of the Year**

* Net asset value increased by **52.6%** compared with an average increase of 28.4% for all investment trusts.
* A total dividend of 2.70p per share is recommended—an increase of 8% over 1985.
* The balance of the company's portfolio significantly altered through sales of Japanese and US equities, increased investment in the UK and repositioning of our European and Far East holdings.

Distribution of assets as a percentage of shareholders' equity

| | | 1986 | 1985 |
|---|---|---|---|
| Equities | | | |
| United Kingdom | | 18.32 | 12.83 |
| Europe | Belgium | 0.74 | 0.64 |
| | France | 11.12 | 5.42 |
| | Germany | 9.21 | 11.33 |
| | Italy | 5.59 | 3.34 |
| | Netherlands | 4.17 | 4.10 |
| | Spain | 0.13 | 0.98 |
| | Sweden | 0.92 | 0.97 |
| | Switzerland | 8.83 | 6.97 |
| | Murray European | 1.73 | 1.64 |
| Japan | | 16.58 | 16.75 |
| Far East | Australia | 3.88 | 7.96 |
| | Hong Kong | 11.29 | 14.41 |
| | Korea | 0.39 | 0.42 |
| | Philippines | — | 0.12 |
| | Singapore/Malaysia | — | 3.27 |

| | 1986 | 1985 |
|---|---|---|
| Equities (cont) | | |
| Taiwan | 0.68 | 0.57 |
| The Pacific Fund | 0.72 | 1.08 |
| United States | 4.87 | 6.75 |
| Other Americas | 1.25 | 0.37 |
| South Africa | — | 0.57 |
| | 100.42 | 100.49 |
| Bonds | | |
| Australia | 4.10 | — |
| Japan | 3.07 | 3.44 |
| United States | 0.01 | 4.40 |
| United Kingdom | 0.32 | 0.58 |
| | 7.50 | 8.42 |
| Net cash | 4.64 | 6.63 |
| Investment Fund | 112.56 | 115.54 |
| Prior capital and loans | (12.56) | (15.54) |
| Equity shareholders' interest | 100.00 | 100.00 |

*Copies of the report may be obtained from the Secretary.*
*Murray Johnstone Limited,*
*163 Hope Street, Glasgow G2 2UH. Telephone: 041-221 9252*

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## COMPANY NOTICES

**Tokyo Pacific Holdings N.V.**
**Tokyo Pacific Holdings (Seaboard) N.V.**

The Quarterly Raport as of 30th June 1986 has been publiahed and may be obtained from:

Pierson, Heldring & Pierson N.V.
Herengracht 214, 1016 BS Amsterdam

National Westminster Bank PLC
Stock Office Services,
3rd Floor
20 Old Broad Street
London EC2N 1EJ

N.M. Rothschild & Sons Limited
New Court, St. Swithin's Lane,
London EC4P 4DU

L'Européenne de Banque
21 Rue Laffitte, Paris 9

Trinkaus & Burkhardt
Königsallee 21-23
D 4000, Düsseldorf 1

Sal. Oppenheim jr. & Cie.
Unter Sachsenhausen 4, D 5000, Köln 1

Banque Paribas Belgique S.A.
Boulevard Emile Jacqmain 162,
B 1000, Bruxelles

Banque Paribas
3 Rue d'Antin, Paris 2

Banque Paribas (Luxembourg) S.A.
10a Boulevard Royal, Luxembourg

Merrill Lynch International & Co.
all European Offices

Rothschild Australia Limited
Royal Exchange Building
56 Pitt Street, Sydney N.S.W. 2000

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**BRITANNIA INTERNATIONAL FINANCE LIMITED**
**(formerly SLATER WALKER INTERNATIONAL FINANCE LIMITED)**
**7½% 1972-1987**
**Luxembourg Francs 500.000.000**

Holders of the above-mentioned Bonds are hereby informed that the annual redemption instalment due October 15, 1986 amounting to Luxembourg Francs 50.000.000.- has been entirely satisfied by drawing by lot.

The Bonds drawn by lot in the presence of a notary public bear the following numbers, taking into account the Bonds previously redeemed:
6981-6990; 7085-7095; 7099-7112; 7114-7117; 7123-7124; 7241-7249; 7268-8217.

These Bonds will be redeemable at par on or after October 15, 1986 with all unmatured coupons attached thereto.

The amount of Bonds outstanding after the redemption date will be Luxembourg Francs 50.000.000.-

Numbers previously drawn by lot and not yet presented for payment:
Drawn in 1984:
B; 13-14; 1369-1379; 1382-1395; 1460; 9462-9453.
Drawn in 1985:
[illegible]; 2650-2661; 2676-2679; 2791-2803; 2816-2817; 3416-3417; 3421-3424; 3911; 3913-3915; 3926-3927; 3933; 4030-4031; 4036; 4089-4090; 4092-4093; 4118-4119; 4122; 4144-4145; 4148-4152; 4207; 4273-1275; 4349; 4372; 4378-4384.

Banque Internationale à Luxembourg
Société Anonyme
Paying Agent

Luxembourg, August 26, 1986

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**KOMMUNLANEINSTITUTET AKTIEBOLAG**
**7½% 1976/1993**
**UA 15,000,000**

On August 18, 1986, Bonds for the amount of UA 1,040,000 have been drawn for redemption in the presence of a Notary Public.

The Bonds will be redeemable coupon due October 12, 1987 and following attached on and after October 12, 1986.

The drawn Bonds are those, NOT YET PREVIOUSLY REDEEMED, included in the range beginning: at 5903 up to 7184 incl

Amount purchased on the market: UA 235,000

Amount outstanding: UA 8,925,000

Bonds previously drawn and not yet presented for payment:
7716 7780 7844 7950 to 7954 incl 7956 7973 and 7974 12793 to 12795 incl 12800 to 12803 incl 12887 to 12890 incl 12896 to 12900 incl 12907 to 12923 incl 13025 to 13032 incl 13285 to 13292 incl 13294 to 13301 incl 13332 to 13336 incl 13532 to 13539 incl 13559 to 13561 incl 13569 to 13577 incl 13580 and 13581 13594 13599 to 13645 incl 13656 to 13660 incl 13672 to 13674 incl

Luxembourg
August 29 1986

The Fiscal Agent
KREDIETBANK
S. A. Luxembourgeoise

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**SOCIETE NATIONALE ELF AQUITAINE**
**EMPRUNT OBLIGATAIRE**
**FRF 150.000.000 9¾% 1978-1988**

Messieurs les Obligataires sont Priés d'Assister à l'Assemblée Générale.

Qui se tiendra le Vendredi 19 Septembre 1986 à 14 heures dans les Bureaux de la Banque Nationale de Paris (Luxembourg) SA, 24 Boulevard Royal, Luxembourg

ORDRE DU JOUR

1. Suppression dans les conditions de l'emprunt le paragraphe B) 2 de la section dénommée amortissement et rachat, libellé comme suit:
"Le représentant fiduciaire pourra seul ou, à la requête effectuée par écrit d'un cinquième au moins des porteurs d'obligations non amorties devra, par notification écrite à la SNEA, rendre exigible la totalité des obligations non amorties, que la SNEA s'engage alors à rembourser dans les trente (30) jours de ladite notification au pair majoré, le cas échéant, des intérêts courus jusqu'à la date de remboursement, si la République Française cesse de détenir, directement ou indirectement, plus de 50 per cent du capital de la SNEA."
2. Divers

Le représentant fiduciaire des obligataires
Banque Nationale de Paris (Luxembourg) SA

pour assister à l'assemblée générale messieurs les obligataires sont priés de déposer les obligations auprès de la Banque Nationale de Paris (Luxembourg) S.A., 24 Boulevard Royal, Luxembourg, 5 jours ouvrables avant la date de l'assemblée générale.

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**MELLON BANK NA**

**US$250,000,000 FLOATING RATE SUBORDINATED CAPITAL NOTES DUE NOVEMBER 1996**

NOTICE IS HEREBY GIVEN that for the period August 29th 1986 to November 28th 1986 the Notes will carry an interest rate of 5⅞ per cent per annum.

Interest payable on November 28th 1986 will be US$742.53 per US$50,000 Note.

CHEMICAL BANK
as Agent Bank

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**CHEMICAL NEW YORK CORP.**
**US$300,000,000 FLOATING RATE SENIOR NOTES DUE 1999**

In accordance with the provisions of the Notes, Notice is Hereby Given that for the interest period from 29th August 1986 to 30th September 1986 the Notes will carry an interest rate of 5 15/16 per cent per annum.

The interest payable on the relevant interest payment date, 30th September 1986 against coupon No. 22, will be US$52.78 per US$10,000 Note.

Agent Bank
CHEMICAL BANK

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*This announcement complies with the requirements of the Council of The Stock Exchange in London. It does not constitute an offer of, or invitation to the public to subscribe for or to purchase, any securities.*

# A/S EKSPORTFINANS

**(Forretningsbankenes Finansierings- og Eksportkredittinstitutt)**
*(Incorporated in the Kingdom of Norway with limited liability)*

## U.S. $100,000,000

## 7⅝ per cent. Notes due 1993

**The Issue Price of the Notes will be 100% per cent. of their principal amount**

*The following have agreed to subscribe or procure subscribers for the Notes:*

**Goldman Sachs International Corp.**

**Prudential-Bache Securities International** — **Banque Indosuez**

**Banque Bruxelles Lambert S.A.** — **Bergen Bank A/S**
**Christiania Bank (UK) Ltd.** — **Credit Suisse First Boston Limited**
**Daiwa Europe Limited** — **Den norske Creditbank**
**Deutsche Bank Capital Markets Limited** — **IBJ International Limited**
**Kleinwort Benson Limited** — **Merrill Lynch Capital Markets**
**Morgan Guaranty Ltd** — **Nomura International Limited**
**Société Générale** — **Union Bank of Switzerland (Securities) Limited**

**S. G. Warburg Securities**

*Application has been made for the Notes, in bearer form in the denomination of $5,000 and in registered form, constituting the above issue, to be admitted to the Official List by the Council of The Stock Exchange. Interest will be payable annually in arrears on September 10, the first payment being made on September 10, 1987.*

*Listing Particulars are available in the statistical services of Extel Statistical Services Limited. Copies of the Listing Particulars may be obtained during usual business hours from the Company Announcements Office of The Stock Exchange, Throgmorton Street, London EC2, up to and including September 2, 1986, and during usual business hours up to and including September 12, 1986 from:*

Goldman Sachs International Corp.,
5 Old Bailey,
London EC4 7AH

Citibank N.A.,
336 Strand,
London WC2R 1HB

Phillips & Drew,
120 Moorgate,
London EC2M 6XP

*August 29, 1986*

# UK COMPANY NEWS

## Interlink for USM via offer for sale

*By Alice Rawsthorn*

Interlink, a parcel delivery service, plans to join the Unlisted Securities Market in early October through an offer for sale which will capitalise the company at more than £25m.

In many ways the development of Interlink reads like an archetypal rags-to-riches story. Its founder and chairman, Mr Richard Gabriol, began his career in the delivery industry as a motorcycle messenger in London and will become a multi-millionaire after the flotation. Interlink was founded in 1981 and now claims a 5 per cent share of the intensely competitive overnight parcels delivery market.

Interlink handles up to 10,000 parcels a night from its sorting centre in the Midlands and a network of more than 100 regional depots. All the administrative work, invoicing, national marketing and sorting is carried out centrally by the parent company. The regional depots are owned and operated by franchisees.

In its first two years of business the company operated at a loss. It produced its first pre-tax profit of £114,000 on turnover of £4.5m, in the year to June 30 1984 and expects profits of £2.5m on more than £13m turnover in the year to June 30, 1985.

Around 25 per cent of the company's equity will be floated in the offer, sponsored by the stockbrokers, Laurence Prust. The bulk of the capital raised, between £5m and £6m, will be retained by the Gabriel family, which owns 94 per cent of the shares. The rest will be ploughed back into the company to finance the purchase of new headquarters in Bristol.

Interlink's franchisees will be able to apply for shares on preferential terms in the offer, alongside the company's employees. Interlink applied to the Stock Exchange for special permission to extend preferential rights to franchises and is believed to be the first company to have done so.

"We decided to go public because it will give the company an opportunity to raise capital in order to finance long-term growth," said Mr Gabriel. "And in so competitive a market as the overnight parcels industry the status of a public quotation will be genuinely useful."

In the longer term Interlink is eager to expand its service in the UK and to replicate its formula overseas. The board is now considering whether to expand into the Republic of Ireland and research is underway to gauge its prospects on mainland Europe.

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Murray International Trust net asset value per share increased to 211.2p at the end of the six months to June 30 1986, compared with 158.8p. After tax of £1.55m (£1.99m) earnings are shown as 2.59p (2.57p) and 2.54p with "B" shares fully converted.

### Terry Povey discusses the flotation of Avis Europe

## New Declaration of Independence

WHEN Avis Europe is floated on the London stock market later this year, it will be the only publicly quoted car rental major worldwide. The sale of two-thirds of the company will raise £200m for Wesray Capital, the Wall Street investing group which bought the whole of Avis for $300m in April.

Avis Europe, with headquarters at Bracknell, near London, is being formed from the present Europe, Africa and Middle East division of the international car hire and leasing group.

Mr Alun Cathcart, managing director of Avis Europe, sees the flotation of the car hire and leasing company as a natural development of his company's autonomous tradition within the US-based Avis Inc. The new public company will be operating totally independently of Avis Inc. Its share listing will also subject it to a degree of public scrutiny which other major car hire companies—all of them divisions of large industrial or financial groups—are able to avoid.

It is not a prospect which daunts Mr Cathcart and his co-directors. Investors, he asserts, will get an experienced team. "What they will be buying is management in depth. Almost all the managers in the various national units have been responsible for building them up from scratch."

It is a team which has pulled the UK operation back from the jaws of a potentially disastrous truck operation several years ago. Car rental and leasing operations together now embrace 3,500 employees, a total fleet of 90,000 vehicles and spend £300m a year on 65,000 new cars.

Mr Cathcart believes Avis Europe's autonomy is reflected in the very different approach it has taken to its market. Whereas the US is treated as one big market in terms of products offered, rates and staff, Europe is a highly fragmented market.

Says Mr Cathcart: "Every country has its own characteristics and there are therefore many more niches to be exploited by managements aware of the possibilities. And if there is a single consistent policy that Avis has clung to over the last 20 years it has been the need for nationals to manage the local operations and the division. Our competitors still have Americans in key positions in Europe—we do not."

Mr James Morley (left) who will be finance director of Avis Europe, Mr Alun Cathcart, who will be managing director, and Mr Bill Dix, who will be marketing director.

A factor in encouraging European managerial independence has been the turmoil that has griped Avis Inc. Over the last decade the US parent has been tossed around like excess baggage in one mega-takeover after another, and has been involved in costly cut-throat battles for market share with the other majors.

However, this local management independence almost came to grief five years ago when the UK car rental subsidiary experienced a crisis and its management had to be reorganised. The company had bought a lot of trucks for hiring out to those seeking to circumvent the steelworkers' strike. When the strike ended, truck hire demand fell off very sharply and trading profits slumped badly—producing a pre-tax loss of £1.16m in the year to June 1981 on a turnover of £33m.

Sorting out the truck debacle proved a vital blooding for what has become Avis Europe's senior management team led by Mr Cathcart, who was head-hunted from Jetlink Ferries to lead the UK salvage operation.

To resolve Avis UK's problems, the new management decided to shut down the truck rental business and sell off the truck leasing and car parks operations. The number of employees was more than halved from 1,500 to 700. While sales were static—£46.8m for UK car rental and leasing combined in the year to June 1983 against £43.75m in 1980-81—profits recovered to a total of £15.5m pre-tax. In 1983-84 the positive trend continued as UK pre-tax profits rose over 50 per cent to a record £8.5m and the combined sales of both operations was over £57m. The UK accounted for about one-third of Avis Europe's £200m sales in the year to February 1986, for which profit figures have not been released.

Looking to the future of an independent Avis Europe, Mr Cathcart sees a stronger growth rate in the leisure rental market since expansion of business hire has been slowed by the rapid rise of leasing and contract hire. However, with a leasing fleet of 40,000 vehicles, Avis Europe is already a market leader in this field, with sales growth of the order 20 per cent in recent years.

At Hertz UK, a major rival to Avis, Mr John Howard, the managing director, sees the European industry dividing between "quality and cheapies." Every year, he says, "there is a rash of semi-national new entrants to the field; it would be a mistake to chase after them too much."

With 11 subsidiaries, six joint ventures and 40 licensee operations (in which it has only a professional and not a financial risk) Avis Europe is represented in 55 countries through almost 1,700 offices. Of a growing market estimated by the Royal Automobile Club to be worth £1.2bn in 1986, Avis Europe holds a stable 18 per cent share.

After Avis Europe goes public its relationship with the former parent company will change—but, Mr Cathcart stresses, "It will not end." Avis Inc will be the largest single shareholder and will have one or two seats on the planned seven/eight-man board. On top of three executive directors, two non-executive board members are being sought—one, who will be chairman, should be announced in three weeks' time.

Other links with New York, which will continue on a contract basis, include Wizard, the sophisticated international electronic reservation and hire form filling service. Avis Europe is also negotiating with its parent for a long term licence, involving a "modest sum," for the exclusive use in its region of the name Avis.

The £200m raised from the sale of two-thirds of Avis Europe will be used mainly to reduce the parent company's large debt. Whether Wesray chooses to inject fresh funds into Avis Europe will, however, be less important for its future than the potential for fund raising that the greatly enhanced share capital will give the company. This will be vital in the leasing area where outside funding is usually provided on a multiple, eight to 10 times, of the capital base. There will also be the opportunity to make acquisitions—likely targets are in the leasing area as Mr Cathcart believes that the new public company should grow its car rental side organically.

# LONDON RECENT ISSUES

## EQUITIES

| Issue Price | Amount Paid up | Latest Renunc. Date | 1986 High | 1986 Low | Stock | Closing Price | + or − | Net. Div. | Times Cov'd | Gross Yield | P.E. Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 160 | F.P. | 5/9 | 179 | 165 | Acatos & Hutcheson50p | 179 | +3 | bd 5.25 | 2.9 | 4.1 | 11.9 |
| §115 | F.P. | 22/8 | 163 | 128 | ‡Anglia Sec Homes10p | 163 | +1 | R1.63 | 5.0 | 1.4 | 20.1 |
| §115 | F.P. | 22/8 | 125 | 118 | ‡Atlas Conv'tingEqu5p | 121 | ...... | R4.9 | 2.3 | 5.7 | 10.9 |
| §67 | F.P. | 8/8 | 71 | 68 | ‡BBB Design Grp 5p | 70 | ...... | L1.0 | 4.2 | 2.0 | 16.8 |
| ‖ ‖ | F.P. | — | 318 | 280 | BTR Nylex A$0.50 | 300 | ...... | Q15c | 2.7 | 2.1 | 17.7 |
| ‖ ‖ | F.P. | — | 53 | 41 | Bertrams Inv. Tst | 42 | ...... | — | — | — | — |
| §65 | F.P. | 6/8 | 69 | 61½ | ‡Camotech 10p | 63 | ...... | | | | |
| 100 | F.P. | 4/9 | 85 | 84 | Child Med C.IT£1‡‡ | 85 | ...... | R2.0 | 2.4 | 4.5 | 12.9 |
| ¶¶ | F.P. | — | 100 | 48 | Clayform Warrants | 50 | ...... | — | — | — | — |
| §110 | F.P. | 12/9 | 124 | 111 | ‡Collins Int 5p | 121 | −2 | — | — | — | — |
| 134 | F.P. | — | 160 | 134 | ‡F & H Group 10p | 160 | +3 | R2.7 | 3.4 | 3.1 | 13.3 |
| §70 | F.P. | 22/8 | 74 | 71 | ‡Fletcher Den'ys S. 5p | 70 | ...... | L4.76 | 2.5 | 4.2 | 13.2 |
| 210 | F.P. | — | 210 | 191 | G. T. Management 1p | 210 | ...... | L2.5 | 1.9 | 5.0 | 14.9 |
| 150 | F.P. | 25/7 | 168 | 150 | Guthrie Corp | 168 | ...... | R3.0 | 3.4 | 2.0 | 17.6 |
| 150 | F.P. | 15/8 | 165 | 156 | Harrison Inds. 10p | 162 | −1 | u5.3 | 2.2 | 4.4 | 10.8 |
| §92 | F.P. | 28/8 | 95 | 87 | ‡Hille Ergonom 10p | 90 | ...... | g5.0 | 2.7 | 4.3 | 12.1 |
| §20 | F.P. | 15/8 | 25½ | 21½ | ‡Hughes Food 5p | 23 | ...... | L2.0 | 3.1 | 3.1 | 12.4 |
| 105.25 | F.P. | — | 106 | 104 | India Fund £1 | 104 | ...... | R0.5 | 2.8 | 3.1 | 16.6 |
| — | F.P. | 29/8 | £39 | £36 | JF Pacific Warrant S.A. | £38½ | −½ | — | — | — | — |
| 110 | F.P. | 5/9 | 98 | 90 | ‡Marina Dev. 50p | 95 | ...... | R3.13 | 3.0 | 4.6 | 9.1 |
| §33 | F.P. | 29/8 | 34 | 27 | ‡Omnitech 1p | 28 | ...... | — | — | — | — |
| §120 | F.P. | 29/8 | 120 | 110 | ‡Personal Comps. 5p | 110 | ...... | R5.0 | 3.3 | 3.8 | 11.2 |
| §115 | F.P. | 29/8 | 117 | 112 | St. David's Inv Tst Inc | 117 | +1 | H6.8 | — | 8.2 | — |
| §75 | F.P. | 29/8 | 77 | 75 | Do Cap. | 77 | +1 | — | — | — | — |
| §72 | F.P. | 15/8 | 170 | 99 | ‡Shield Group 5p | 170 | +10 | L2.0 | 3.1 | 1.7 | 24.8 |
| §165 | F.P. | 1/8 | 184 | 157 | ‡Smallbone 10p | 157 | ...... | u5.0 | 2.1 | 4.5 | 14.7 |
| §110 | F.P. | 28/8 | 125 | 119 | Stanley Leisure | 120 | ...... | u3.25 | 2.8 | 3.8 | 13.2 |
| 145 | Nil | — | 15pm | 11pm | Sutcliffe Speak Uts† | 15pm | +1 | — | — | — | — |
| 130 | F.P. | 21/8 | 160 | 137 | ‡TV-am 10p | 160 | +2 | R5.75 | 2.6 | 5.1 | 10.7 |
| ‖ ‖ | F.P. | — | 160 | 152 | VSEL Consortium £1 | 160 | ...... | W5.68 | 4.3 | 5.0 | 5.0 |
| †† | F.P. | — | 100 | 95 | Welsh Ind. Inv. Tst. 5p | 95 | ...... | — | — | — | — |
| 106 | F.P. | 22/8 | 112 | 100 | Windsmoor 5p | 104 | ...... | u3.25 | 2.3 | 4.4 | 14.0 |

## FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc Date | 1986 High | 1986 Low | Stock | Closing Price £ | + or − |
|---|---|---|---|---|---|---|---|
| ** | F.P. | — | 135 | 135 | Authority Invs. 8% Cnv. Uns. Ln. 2006-12 | 145 | ...... |
| £100 | £10 | 23/10 | 10¼ | 9½ | Bournem'th & Dist Wtr 10⅛%Rd Db 1996 | 10¼ | ...... |
| ‖ | Nil | — | 3pm | 2pm | Egerton Tst 7% Cv Cm Red Pf | 2pm | −1 |
| 99.160 | F.P. | 24/10 | 101½ | 99½ | Elect & Gen. Inv. 10¾% Deb. 2011 | 100½ | −¼ |
| — | — | — | 29 | 27½ | JF Pacific Warrant S.A. Pref. | 27½ | −½ |
| 105.523 | F.P. | 21/8 | 106½ | 98½ | Land Securities 10% 1st. Mort. Deb.25 | 101⅛ | −¼ |
| §99.937 | £25 | 24/10 | 25¼ | 23¾ | Nationwide 3¾% IL Ln. 2021 | 25⅛ | −⅛ |
| — | F.P. | — | 100⅛ | 100 | Do 10¼% 17/8/87 | 100⅛ | |
| ‖ | Nil | 16/9 | 5pm | 1½pm | Rea Bros. Group 8.6% Cum. Cnv. Prf. | 1½pm | ...... |
| ‖ | F.P. | 30/9 | 106p | 100p | Scantronic 5.75% Cnv. Cum. Red. Prf. | 104p | ...... |
| ‖ | F.P. | 16/9 | 103p | 101p | Stewart Ent. 6¼% Cum. Cnv. Red. Prf. | 101p | ...... |
| ‖ | F.P. | 11/9 | 105 | 95 | Utd Leasing 9½% Cnv. Sub Uns Ln '98–2001 | 95 | ...... |
| ‖ ‖ | F.P. | — | 102 | 101 | VSEL Cons.11% Uns. Ln. 1996 | 102 | ...... |
| — | F.P. | — | 115p | 107p | Wight C'ns Cv. Cm. Rd. Prf. 1999 10p | 115p | +4 |

## "RIGHTS" OFFERS

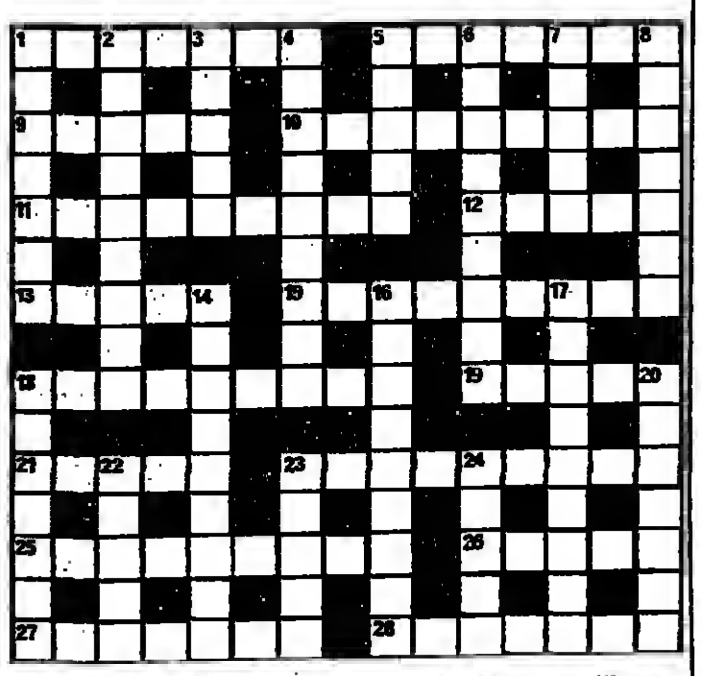
| Issue Price | Amount Paid up | Latest Renunc Date | 1986 High | 1986 Low | Stock | Closing Price p | + or − |
|---|---|---|---|---|---|---|---|
| 2 | Nil | 10/10 | 3½pm | 1½pm | Assoc. Brit. Eng. 1p | 3pm | ...... |
| 190 | Nil | — | 15pm | 6pm | BBA Group | 6pm | −1 |
| 39 | F.P. | 10/10 | 41½pm | 40½pm | Blackwood Hodge | 41½ | ...... |
| 138 | Nil | — | 4pm | 2pm | Brown & Tawse | 4pm | +2 |
| 5 | Nil | 22/9 | 38pm | 24pm | ‡Cityvision 5p | 27pm | +3 |
| 276 | Nil | — | 30pm | 25pm | FII Group | 25pm | ...... |
| 34 | Nil | 6/10 | 5pm | 3pm | Forward Tech | 5pm | ...... |
| 450 | Nil | — | 40pm | 33pm | Marler Estates | 40pm | ...... |
| 390 | Nil | 3/10 | 117pm | 105pm | WPP Group 10p | 113pm | ...... |

Renunciation date usually last day for dealing free of stamp duty. n Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures r Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖ ‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement † Unit comprising of 1 New Ord., 1 9½% Red Prf. and 1 warrant.



## FT CROSSWORD PUZZLE No. 6111

VIXEN



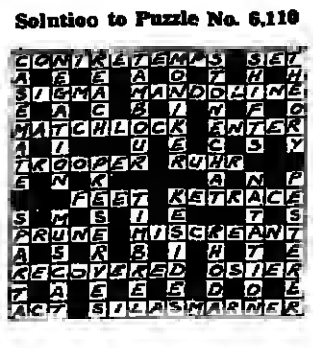
**ACROSS**

1 A longing which makes many mad (7)
5 The French recognise this as a softening influence (7)
9 Practice backed for example by America (5)
10 Put in order for tradesmen to assemble (9)
11 Coppers take the inmate to be the leader (9)
12 Protection for the domestic worker (5)
13 Leave of absence—formerly to dine (5)
15 Returned vehicle list, being compliant (9)
18 Church and state divided by hatred possibly (9)
19 A towel is provided for the doctor, and that's right (5)
21 Place within reach—keep some handy (5)
23 A report produced like lightning? (4, 5)
25 In favour of seeing a stipulation made (9)
26 She's an Italian lady and no mistake! (5)
27 Lighten about fifty-one by the close of day (7)
28 Mere lad in revolt—so green (7)

**DOWN**

1 Cruel MP made to give way (7)
2 Having a room below ground-level can result in depression (9)
3 Old folk get very cold and torn in (5)
4 Change the gear as it's warmer (3-6)
5 Like being in a little house by the sea (5)
6 Action taken about a plot of land that's depreciated (9)
7 A vessel some people call in error a boat (5)
8 Rather slow and exceptionally neat (7)
14 He decides there's point in a blow with anger (3, 6)
16 Acknowledgment of a grant? (9)
17 She has long represented this country (9)
18 Delight about a piano being offered at a lower price (7)
20 The backward girl read badly but tried again (7)
22 Seating to set in the sun (5)
23 A sound organ can absorb one (5)
24 Sweet nonsense (5)

**Solution to Puzzle No. 6,110**



# AUTHORISED UNIT TRUSTS

# FT UNIT TRUST INFORMATION SERVICE



Abbey Unit Tst. Mngrs. (a)
Allied Dunbar Unit Trusts PLC (a)(g)
Archway Unit Tst. Mgs. Ltd(a)(c)
Arkwright Management
Atlanta Unit Managers Ltd
Baillie Gifford & Co Ltd
Baltic Trust Managers Ltd
Barclays Unicorn Ltd(a)(c)(g)
Baring Fund Managers Ltd
Barrington Mgmt Co Ltd (a)
Bell Court Fund Mngt PLC
Bishopsgate Progressive Mgmt. Co
Brewin Dolphin Unit Tst Mngrs Ltd
Bridge Fund Managers (a)(c)
Britannia Unit Trust Managers Ltd. (a)(c)(g)
Brown Shipley & Co Ltd (a)(g)
Brycourt Unit Trust Mngmt Ltd(a)(c)(d)
Buckmaster Management Co Ltd (a) (c)
CS Fund Managers Limited
Canada Life Unit Trust Mngrs. Ltd
Cannon Fund Managers Ltd (a)
Capel (James) Mngt. Ltd
Cater Allen Unit Tst Mngmt. Ltd
Cent. Bd. of Fin. of Church of England
Charities Official Invest. Fund
Chase Manhattan Fund Mngrs Ltd
Confederation Funds Mngt Ltd (a)
County Unit Trust Managers
Crown Unit Trust Services Ltd
Crusader Unit Trust Managers Ltd
Darlington Unit Trust Mgt. Ltd
Discretionary Unit Fund Managers
EBC Amro Unit Trust Mngmt Ltd
EFM Unit Trust Managers Ltd
Eagle Star Unit Mngrs Ltd
The English Trust Group PLC
Enterprise Fund Managers Ltd (a)
Equitable Units Administration Ltd
Equity & Law Un. Tr. M. (a) (b) (c)
FS Investment Managers Ltd
Fidelity Investment Services Ltd
Framlington Group (a)
Robert Fraser Trust Mgt. Ltd
Friends Prov. Trust Managers (a)(b)(c)
Funds in Court
G. & A. Trust (a) (g)
GT Unit Managers Ltd
Gartmore Fund Managers (a) (c) (g)
Global Asset Management
Govett (John) Unit Mngt. Ltd
Granville Unit Trust Mngmt Ltd
Gresham Unit Trust Managers
Grieveson Grant Unit Trust Mngrs
Grofund Managers Limited
Guardian Royal Ex. Unit Mgrs. Ltd (a)
Guild Management Limited
Guinness Mahon Unit Trust Managers Ltd (a)
Hambro General Fund Managers Ltd (a) (c)
Hambros Bank Unit Trust Managers Ltd (g)
Henderson Administration (a) (b) (c)
Heritable Unit Trust Managers Ltd
Hexagon Services Ltd
Hill Samuel Unit Tst. Mgrs.† (a)
IBI Fund Managers Ltd
Key Fund Managers Ltd (a)(g)
Kleinwort Benson Unit Managers
L & C Unit Trust Management Ltd
LAS Unit Trust Managers Ltd
Laurentian Unit Tst Mngmt Ltd
Lawson Fund Managers Ltd (a) (c) (g)
Lazard Brothers & Co Ltd
Legal & General (Unit Tst. Mngrs.) Ltd
Leonine Administration Ltd
Lloyds Bk. Unit Tst. Mngrs. Ltd (a)
Local Authorities' Mutual Invest. Tst.
London & Manchester (Tst Mgmt) Ltd
London Life Unit Trust Mngt. Ltd
M & G Group (y)(c)(x)
MGM Unit Managers Ltd
MLA Unit Trust Management
ManuLife Management Ltd
Mayflower Management Co Ltd
Mencap Unit Trust Mngrs Ltd (a)(c)(g)
Mercury Fund Managers Ltd
Midland Bank Group UT Mngrs Ltd (a)
Minster Fund Managers Ltd
Murray Johnstone UT Mgmt. (a)
MFU Mutual Unit Managers Ltd
National Provident Inv Mgrs Ltd
Norwich Unit Trust Managers
Octavian Unit Trust Mgrs Ltd
Oppenheimer Fund Mngt Ltd
Orion Royal Bk Tst. Mngrs. Ltd
Pearl Trust Managers Ltd (a)(g)
Perpetual Unit Trust Mngmt. (a)
Prolific Unit Trusts
Providence Capital Fd. Mgrs. Ltd
Provident Mutual Unit Trust Managers Ltd
Prudential Unit Trust Mngrs Ltd (a) (b) (c)
Quilter Management Co Ltd
Reed Stenhouse Inv Services Ltd
Reliance Unit Mgrs. Ltd
N.M. Rothschild Asset Management
Rowan Unit Trust Mngt. (a)
Royal Life Fd. Mgmt. Ltd
Royal London Unit Tst Mgrs Ltd
Royal Trust Can. Fd. Mgt. Ltd
SKG Management Limited
Save & Prosper Group
Schroder Unit Trust Managers Ltd
Scimitar Asset Management Ltd
Scottish Equitable Fund Mgrs. Ltd
Scottish Life Investments
Scottish Mutual Investment Managers Ltd
Scottish Provident Inv. Mgt. Ltd
Scottish Unit Managers
Scottish Widows' Fund Management
Scotbits Securities Ltd
Scottish Funds Management Ltd
Standard Life Trust Mngt. Ltd
Stewart Ivory Unit Trust Mgrs Ltd (a)
Sun Alliance Fund Management Ltd
Sun Life Trust Mngt. Ltd
Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
TSB Unit Trusts (b) (c) (y)
3i Unit Trust Managers Ltd (a)
Target Trust Mngrs. Ltd (a)(g)
Templeton Investment Management
Thornton Unit Managers Ltd
Touche, Remnant Unit Trust Mngt Ltd
Trades Union Unit Trust Managers
Transatlantic and Gen. Secs. (c) (y)
Tritan Fd Mngrs. Ltd
Tyndall Managers Ltd(a)(b)(c)
UK Provident Unit Trust Managers Ltd
Unit Trust Account & Mgmt. Ltd
Vanguard Trust Managers Ltd
Wardley Unit Trust Managers Ltd (a)

# AUTHORISED UNIT TRUSTS & INSURANCES

**Waverley Asset Management Ltd (a) (c) (g)**
13 Charlotte Sq, Edinburgh 031-225 1551

| | | | | |
|---|---|---|---|---|
| Australasian Gold | 18.5 | 19.7 | | 0.15 |
| Pacific Basin | 13.1 | 14.0 | -0.1 | 0.2 |
| Canadian Balncd Grwth | 57.5 | 61.4 | -0.1 | 0.98 |
| Ginnie Mae | 102.4 | 106.6 | -0.2 | 7.1 |

**WestAvon Unit Trust Managers Ltd(a)(c)**
9 Portland Square, Bristol BS2 8SS 0272 428431

| | | | | |
|---|---|---|---|---|
| British Smllr Co's (z) | 56.8 | 58.4xd | +0.2 | 1.50 |
| British Growth (z) | 67.2 | 69.3 | +0.2 | 2.00 |
| British Income (z) | 66.5 | 68.4 | +0.2 | 5.00 |
| British Extra Yield(z) | 51.5 | 53.0xd | +0.1 | 7.00 |

**Whittingdale Unit Trust Managers**
2 Honey Lane, London EC2V 8BT 01-606 9085/6

| | | | | |
|---|---|---|---|---|
| Short Dtd Gilt Fd | 67.8 | 68.9 | -0.1 | 0.00 |
| H.S. Gilt Bond F | 50.512 | 0.514 | -0.001 | — |

**Windsor Trust Mngrs Ltd**
83 Kingsway, London, WC2B 6SD 01-405 8331

| | | | | |
|---|---|---|---|---|
| Capital & Equity Tst | 48.9 | 52.1 | .. | 7.60 |
| Growth Trust | 51.7 | 55.1 | +0.5 | 2.27 |
| Income Trust | 53.8 | 56.4 | .. | 5.18 |

**Wright Seligman Fund Managers Ltd**
11 Blomfield St, London EC2M 7AY 01-588 0592

| | | | | |
|---|---|---|---|---|
| Growth Fund | 68.7 | 72.2 | .. | 2.97 |

Weekly dealing day Tuesday

**The Yorkshire General Trust**
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

| | | | | |
|---|---|---|---|---|
| Y.G.T. | 124.7 | 132.7 | +0.7 | 3.34 |

# INSURANCES

**AA Friendly Society**
(Investment Mngt N & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

| | | | | |
|---|---|---|---|---|
| AA Friendly Sy Aug 8 | — | 103.1 | .. | — |

**Abbey Life Assurance Co Ltd**
80 Holdenhurst Road, Bournemouth 0202 292373

| | | | | |
|---|---|---|---|---|
| Prop. Ser. 1 | 206.9 | 217.8 | .. | — |

**City of Edinburgh Life Assurance**
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

| | | | | |
|---|---|---|---|---|
| Ivory & Sime Bond | 99.0 | 105.0 | .. | — |
| Risk & Reward Bond | 118.8 | 126.0 | +2.5 | — |
| Murray Johnstone Fd | 121.0 | 128.0 | .. | — |
| Money Market Fd | 100.8 | 106.0 | .. | — |
| Ivory & Sime Pens Fd | 101.0 | 107.0 | .. | — |
| Risk & Reward Pens Fd | 99.8 | 105.0 | .. | — |
| Murray J'stone Pens Fd | 118.0 | 125.0 | .. | — |
| Money Market Pens Fd | 100.0 | 106.0 | .. | — |

**City of Westminster Assurance**
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series

| | | | | |
|---|---|---|---|---|
| Property Fund | 111.2 | 117.1 | .. | — |
| Money Fund | 221.6 | 233.1 | +0.1 | — |
| Managed Fund | 410.4 | 432.0 | -0.4 | — |
| Equity Fund | 252.4 | 265.7 | +0.3 | — |
| Fixed Interest Fund | 150.5 | 158.5 | -0.2 | — |
| Far East Fund | 218.1 | 230.3 | -2.4 | — |
| North American Fund | 178.8 | 188.3 | .. | — |
| Natural Resources Fund | 131.9 | 138.9 | +0.9 | — |
| Pension Managed Fund | 380.0 | 400.0 | +0.5 | — |
| Pension Equity Fund | 239.3 | 251.9 | .. | — |
| Adventurous Mngd Fd | 109.7 | 115.5 | +0.2 | — |
| Balanced Mngd Fd | 105.7 | 111.3 | +0.1 | — |
| Conservative Mngd Fd | 105.1 | 111.3 | +0.1 | — |
| European Fund | 104.5 | 110.0 | +1.0 | — |
| International Fund | 104.7 | 110.3 | +0.3 | — |

For other prices please telephone 0908 606101/660888

**Clerical Medical/Fidelity International**
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds

| | | | | |
|---|---|---|---|---|
| Mixed | 134.7 | 141.8 | +0.1 | — |
| Equity | 151.2 | 159.2 | +0.5 | — |
| Property | 108.4 | 114.2 | .. | — |
| Gilt & Fixed Interest | 117.2 | 123.4 | .. | — |
| Indexed Securities | 101.1 | 106.5 | .. | — |
| Cash | 107.2 | 112.9 | +0.1 | — |
| North American | 109.6 | 115.4 | -0.9 | — |
| Far East | 130.9 | 137.8 | -0.8 | — |
| International | 126.7 | 133.4 | -0.3 | — |
| Special Situations | 145.7 | 153.4 | -0.4 | — |
| International Income | 140.9 | 148.4 | +0.2 | — |
| American Income | 118.2 | 124.5 | +0.2 | — |
| European | 150.9 | 158.9 | +0.8 | — |

Flexible Retirement Plan

| | | | | |
|---|---|---|---|---|
| Mixed | 139.2 | 146.6 | -0.2 | — |
| Equity | 146.4 | 154.2 | +0.4 | — |

# INSURANCE, OVERSEAS & MONEY FUNDS

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

## Money Market Trust Funds

## Money Market Bank Accounts

Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 5SE. 0752 224341
High Int Chq Acc.......10.06 7.53 10.89 Qtr

Wimbledon & South West Finance Co Ltd
119 Newgate St, London EC1A 7AE. 01-606 9485
High Int Cheque Acc.......11.00 0.22 11.94 Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

### NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

## TRADITIONAL OPTIONS

### 3-month call rates

| Industrials | p | | |
|---|---|---|---|
| Allied-Lyons | 30 | NEI | 11 |
| Amstrad | 23 | Nat West Bk | 48 |
| BAT | 35 | P & O Dfd | 45 |
| BOC Grp | 28 | Plessey | 18 |
| BSR | 11 | Polly Peck | 16 |
| BTR | 28 | Racal Elect | 16 |
| Babcock | 17 | RHM | 20 |
| Barclays | 45 | Rank Org Ord | 45 |
| Beecham | 40 | Reed Intnl | 75 |
| Blue Circle | 55 | STC | 16 |
| Boots | 22 | Sears | 12 |
| Bowaters | 38 | TI | 42 |
| Brit Aerospace | 45 | Tesco | 32 |
| Brit. Telecom | 17 | Thorn EMI | 40 |
| Burton Ord | 28 | Trust Houses | 15 |
| Cadburys | 17 | Turner Newall | 18 |
| Charter Cons | 22 | Unilever | 120 |
| Comm Union | 28 | Vickers | 40 |
| Courtaulds | 26 | Wellcome | 17 |
| FNFC | 17 | **Property** | |
| Gen Accident | 75 | Brit Land | 16 |
| Gen Electric | 17 | Land Secs | 30 |
| Glaxo | 85 | MEPC | 32 |
| Grand Met | 34 | Peachey | 24 |
| GUS 'A' | 85 | Samuel Props | 25 |
| Guardian | 75 | **Oils** | |
| GKN | 32 | Brit. Oil & Min. | $2\frac{1}{2}$ |
| Hanson Tst. | 16 | Brit Petroleum | 40 |
| Hawker Sidd | 48 | Burmah Oil | 30 |
| ICI | 55 | Charterhall | 4 |
| Jaguar | 38 | Premier | $3\frac{1}{2}$ |
| Ladbroke | 32 | Shell | 55 |
| Legal & Gen | 24 | Tricentrol | 11 |
| Lex Service | 20 | Ultramar | 18 |
| Lloyds Bank | 38 | | |
| Lucas Inds | 52 | **Mines** | |
| Marks & Spencer | 18 | Cons Gold | 48 |
| Midland Bk | 44 | Lonrho | 24 |
| Morgan Grenfell | 30 | Rio T Zinc | 30 |

A selection of Options traded is given on the London Stock Exchange Report Page.

# COMMODITIES AND AGRICULTURE

## Platinum exceeds $600 and hits five-year high

BY ANDREW GOWERS IN LONDON AND JIM JONES IN JOHANNESBURG

PLATINUM PRICES broke through the level of $600 (£404) an ouoce yesterday and reached new five-year highs, as speculative fever continued to grip the market.

The London afternoon fix was $605 an ounce, up $14 an the day.

Impale Platinum, Santh Africa's second largest producer, raised its quoted producer prices for platinum, rbodium and paledium for the first time in exactly six years.

The cbange, which dealers said appeared to signal Impale's belief that the recent price rises af the three metals will be sustained, took the platinum producer price ta $600 an aunce from $475.

It served to reinforce the latest speculative gains on tbe free market in London and the futures market in New York. Dealers said that in pegging points between $596 and $598 an aunce, the market was not reacting to any specific news.

But speculatars—especially on the New York Mercantile Exchange (Nymex)—were buying with renewed vigour after tbe latest eruption of violence in South Africa, tbe source af about 85 per cent af the non-communist world's sunplies.

Talk tbat South Africa migbt withhold platinum and other metals regarded as strategic, in retaliation for econamic sanctions now appears to have been largely superseded in the market by generalised concern about South Africa's political stability. The speculators' enthusiasm bas been undimmed by repeated assurances from Pretoria that it has na intention to block metal supplies.

"Tbere is na denbt that the specs are in Nymex platinum in force," said Ms Gail Levey, an analyst with the trader Shearson Lehman Bros, in New Yark. "The apen interest has increased and valume has reached record levels on soms days."

The latest price rise will increase casts further for platinum users, such as US mator manufacturers. But platinum, whicb is used in emissian cantrol devices for autamabiles and ail refineries, among other things, accounts far a very small proportian af a car manufacturer's overall costs.

Tbe sector most sensitive to price, among consumers af platinum is tbe Japanese jewellery industry. It is clear from the country's trade statistics that bigb prices are causing consumption to fall.

Japan—the largest buyer of platinum—imported only 18 tonnes af the metal from January to July, compared with 26m tonnes in the equivalent period of 1985.

Ths producer price increase by Impala yesterday was of limited significance, according to platinum dsalers. The palladium price went to $150 an ounce, from $120, and the rhodium quotation was raised to $1,300 an ounce from $1,150.

Impala refused to give reasons far the increases, but Mr Josrelyn Cloete, a marketing executive for ths company, said it did not sell its entire production at the producer prire but used it in pricing formulas—incorporating free-market dollar prices and fixed rand prices—far each of its sales contracts.

Analysts in Johannesburg infer that Impala was suffering a loss af revenue by maintaining producer quotes at less than free-market prices.

Rustenhurg, Impala's larger South African rival, ceased to quote fixed producer prices in early 1983 and switched to pricing sales an the basis af the daily free-market price and a daily price quoted by Jahnson Matthey, Rustenburg's marketing agent.

Free-market platinum prices last exceeded the producer price in the first part of 1981, wben prices were falling fram their January 1980 peak of a little mare than $1,000 an ounce.

## China expands magnesite output

BY STEFAN WAGSTYL IN SHANGHAI

CHINA IS expanding its output of high-grade magnesite—a refractory mineral used in steelmaking—with a yuan 100m (£18.04m) investment at its largest mine and processing plant.

This is one of variaus Cbinese movss to raise fareign exchange earnings in the minerals industry by increasing processing work. China praposes to increase export earnings from non-metallic minerals by mare than 100 per cent under the five-year plan for 1986-90. These exports were worth more than $200m (£134.7m) last year.

The new factory at Haicheng mine, in Liaoning province in north-east China, will produce 50,000 tonnes of high-purity magnesite a year from 1988. This compares with a current estimated national output of less than 10,000 tonnes a year of bigh-grade material.

Tbree further plants are planned—two more at Haicheng and ooe nearby at Dashichiao—with combined output of 110,000 toones.

China produces mere than 1m toones a year of magnesite, mostly in Liaoning, and exports mare than 500,000 tounes a year. Sales of low and medium-grade material, of up to 97 per cent purity, have been suffering from the recession in industrialised countries' steel industry.

Hawever, Chinese industry officials say there is strong demand for magnesite of 98 per cent-plus purity in Japan, ths biggest overseas custamer, in the EEC and in the US, where the material has long been produced by a costly extraction from sea-water. Mr Wei Bang Ping, manager of Haicheng magnesite mine, says its cheap production will compete with sea-water magnesite.

Besides export sales, high-grade material is neede dfor Cbina'a new steel plants, incloding the Japanese-built one at Baoshan, near Sbangbai.

There are other signs of priority being given to non-metallic minerals. China Dally recently reported that the conntry was doubling investment in these, allocating about Y500m to the industry during the current five-year plan—twice as much os was invested in the previous five years.

Chinese industry officials say that, with some af the ricbest deposits in the world, ths country can gain ground in world markets in talc, gypsum, kaolin and graphite, among others. These minerals are easler to process than metals and need mucb smaller investments, the officials argue.

However, they concede thers are difficulties — several minerals markets are depressed, notably those for harite and other materials used in drilling muds for the oil industry. Alsa, shipping costs can be prohibitive for minerals which are low in value relative to their weight.

A tonne of talc, which is worth about $140 a toune on the world market, costs between $20 and $25 to ship to Europe. Talc provides another example of China trying to add value by further processing.

At Haicbeng talc mine, managers are negotiating with Pfizer, a US company, over a joint venture to instal a 100,000-tannes a year flotation plant to produce very fine talc for plastic coatings.

## Argentine wheat plantings 'to fall'

By Tim Coone in Buenos Aires

Wheat plantings in Argentina are expected to fall again this year, accarding to a study by the National Grain Exchange, on which tha bulk of Argentina's 40m tonnes of ccreals production each year is traded.

From information by seed traders and regional agricultural experts, the study estimates total wheat plantings this year at only 5m bectares—down by 640,000 bectares ar 11 per cent on those of tho 1985-86 season.

The continuing uncertainty over disposal of large US and EEC stocks at subsidised prices on the world market is pinpointed as the main factor undermining farmers' confidence this year.

The study reckons plantings would bave been lower still, if the Goveroment had not reduced its export tax on wbeat this year.

The sowing season ends in October in the sonth of the country, and is in full swing in Buenos Aires the principal wheat-growing province. The first harvests begin in November in the Argentino north.

Wheat plantings have fallen steadily in the past three years as Argentina has lost ground in the international market, especially with the fall in its sales to the Saviet Unian.

## Phosphate mine for Venezuela

By Jae Mann In Caracas

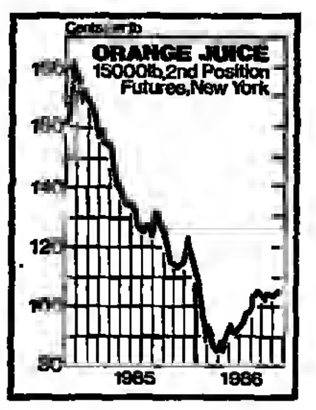
PRESIDENT Jaime Lusinchi of Venezuela announced yesterday that the Government wanld invest abont $320m (£215m) ta develap deposits af pbosphate ore and coking coal in western Venezuela, and to link these mines with the Apure and Orinoco rivers.

The plan, expected to create abont 22,000 direct and indirect jobs, is aimed to reduce radically Venezuela's dependence on imported phosphates for making fertilisers, and on imported coal to make coke for steel mills.

The Government set up a new company, Compania Carbones del Tachira, to manage the coal project, but officials said that there would be room for private sector participation. The coal and phosphate deposits are in the western state of Tachira.

**Patrick Knight** examines problems of a trade where prices have collapsed

## Orange juice glut forces big changes




BIG structural changes are underway in the world orange juice market as the hoom-and-bust price cycle of the last few years has turned to a world glut. Brazil, where the 1986 harvest is gathering mamentum, has been particularly hard bit.

In early 1985, prices soared after a frost in Flarida, one of the two main producing areas. In Europe, the effects were aggrovated by the strength of the dallar, the curreacy af the orange juice trade. Prices effectively doubled, and the entire market was severely disrupted.

Naw the market is struggling to cape with a glut af supplies. The orange juice price has collapsed. Earlier this year it was at its lawest for five years, less than half af last year's peak price, although it has recavered hy more than 10 per cent since then.

Orange juice shipments have been running at recard levels so far this year, as importers rush to huild up stocks at low prices. Storage tanks in importing countries—both Europe aod the US—are said ta be full.

The US has been particularly hard hit by the difficulties of the past two years, following two consecutive frosts which cut the Florida crap sbarply. It is no longer a main exporter but a net importer af arange juice.

The US loss in this case has been Brazil's gain. The Brazilian arange juice industry accounts for abont half of world output, and is expanding fast. But it, too, is not immune from the problems likely to he brought by law prices.

The most immediate effect of the current glut is a shake-out in the Brazilian industry. This is likely to leave the country's twa main producers, Cutrale and Citrosuco, with an even stronger grip an the market. This prospect fills many European fruit jnice importers with unease.

The twa groups, together with Cargill, the US trading company, shauld have little difficulty in pulling through this year's glut. Strengthened by big profits last year, they have cut costs and invested heavily in modern transport, including new terminals at the port of Santos, as well as refrigerated ships and warehouses in Europe and the US.

The same is not true of the dozen ar so smaller producers. They borrowed heavily in an attempt to boost productian to keep up with the giants, but they can barely affard ta ship at current prices and are now hard pressed to service their dehts.

Their position is not improved by growers — often co-owners of the smaller crushers — clamouring for last year's high prices to continue. Frutropic, one of the smaller producers, has already gone hankrupt.

But there are much more seriaus prohlems an the horizon for the Brazilian industry. Many observers believe the glnt is not a temporary phenomenon, but is here to stay.

Produrers encouraged to plant trees by high prices are inevitahly still increasing their ontput. US farmers, for example, are set to increase output from some 400,000 tonnes now to nearly 700,000 tounes a year by the end of the century.

In Brazil there was already a carry-over stock of 350,000 tonnes — equivalent to almost three-quarters of last years' exports — when farmers started bringing in the 1986-87 harvest several weeks ago. Bnt production is expected ta double from about 500,000 tounes a year to 1m tonnes within a decade.

The number of trees in Sao Paulo state alone is increasing by between 10m and 12m a year.

European orange juice consumption received a heavy knock last year from the price rise. Fruit julce bas becomo hig business over the past few years, with imports worth an estimated $500m a year into Britain alone. Bnt there is stiff competition hetween orange juice and other types.

Consumption of pure orangs juice fell by abont 5 per cent in Britain in 1985, a reversal of a steady upward trend since the 1970s. In West Germany, where some retailers refused to stock the higher-priced juice, it dropped by a fifth.

Last year's high orange juice prices encouraged blenders to mix in lower quality juices from Southern Europe, impairing the flavour. This encouraged consumers to switch to other juices. There is a growing number of these available — and they are almost all cheeper to prepare.

European demand for orange juire is regaining some of the ground lost last year. But it is clear to praducers that they will bave to find new markets if they are to dispose of the extra supplies becoming available.

Producers bope to increase sales in countries such as Japan, where orange julce consumptian is well below tha average for industrialised nations. The Japanese drink anly about three litres of fresh orange juice per head each year, compared with 13 litres in Britain and mare than 20 litres in America.

The Americans are anxious to boost juice sales in order to belp redress the massive US trade deficit with Japan. But they are bampered by regulatians stipulating that balf of Japanese requirements have to be fulfilled from locally-produced juice.

The big importers, meanwhile, tired of their dependence on Brazil and Florida, are on the lookout for new sources. Coca Cola, for example, the major US importer, has chosen Belize far new plantations, while British importers are anxious to encourage China, where there are said to ba massive sreas suitable for growing oranges.

## Brazil's exports pour away from US into Europe

BY ANN CHARTERS IN SAO PAULO

BRAZIL'S orange juice exports are pouring increasingly into Europe and away from the United States. Abrassucos, one af the industry associations, predicts that the country's juice exports ta Europe should equal its sales to the US in the 1986-87 marketing year, which hegan in July.

The US, which toak 65 per cent of Brazil's orange juice cancentrate exports from its 1985-86 harvest, is expected ta buy only 40 per cent this year.

Mr Mario Branco Peres, president of the association, said that the international drop in orange juice prices from a 1984 high, combined with the decline in the valne of the dollar against European currencies, means orange jnice is attractively priced for tho European market.

For the 1985-86 crop, tho average price per tonne was US$1,073 (£722.80) compared with the previous year's $1,741. Current international priees—hovering around $800—are no longer a deterrent to consumption.

With US orange crops returning to healthy levels, Brazil needs to develop new markets far the 170m-180m boxes of fruit soon to be picked. European markets look the most immediately promising, but Brazilian processors are looking for longer term prospects in the Soviet Union and Japan.

Overseas markets could become increasingly crucial for the citrus industry if the 1987-88 crop is as big as expected. The domestic market for industrially-processed juice is growing, but per capita consumption is still low, with Brazilians preferring to squeeze their own fresh juice.

Exports for the 1985-86 crop year totalled $634.3m, according to Cacex, Brazil's foreign trada agency. That was dawn 52.3 per cent in value terms, but down only 22.7 per cent in volume from the 764,700 tonnes exported in the previous crop year. Europe bought 28 per cent of Brazil's orange juice concentrate exports for the 1985-1986 crop year.

## US MARKETS

PLATINUM was the star performer as renewed buying interest propelled the October position to a high of $616, gaining $22 on the day, reports Heinold. This level was last traded in January 1981. Coffee moved sharply higher in early trade as commission houses and locals tried to push through the resistence at 206c, basis December. However, failure to do so found some profit-taking and disappointed liquidations. Stops added to selling pressure to move the market to 197.80c before buying settled the market at 202c. Sugar found some support as reported buying far the account of Cuba steadied the market. However, lack of follow-through buying took the market to lows of 5.57c, basis October.

### NEW YORK

ALUMINIUM 40,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 51.75 | 52.40 | 51.75 | 52.50 |
| Oct | 52.00 | — | — | 52.65 |
| Dec | 52.60 | 53.20 | 52.55 | 53.05 |
| Jan | 52.90 | — | — | 53.20 |
| March | 53.05 | 53.18 | 53.15 | 53.45 |
| May | 53.40 | — | — | 53.80 |
| July | 53.65 | — | — | 54.05 |

## FREIGHT FUTURES

| | Close | High/Low | Prev. |
|---|---|---|---|
| Tankers | | | |
| Aug. | 1300/1350 | — | 1280/1340 |
| Sep. | 1150 | 1060 | 1100/1150 |
| Oct. | 1380 | — | 1320/1340 |
| Dec. | 1170/1240 | — | 1190/1200 |
| Mar. | 1080/1150 | — | 1080/1150 |
| June | 1250 | — | 1250 |
| BFI | 1386.0 | — | 1375.5 |

Turnover: 10 (8).

## Tin producers to hold crisis talks

BRAZILIAN tin producers will meet members of the executive committee of the Association of Tin Producing Countries from September 1 to September 7.

Mr Samuel Hanan, president of SNIE, Brazil's tin industry extraction union, said the meeting, sponsored by Brazil's foreign ministry, was aimed at discussing what contribution each country could make towards ending the world tin crisis.

## Soviet N-plant warning

Swedish experts have described a nuclear reactor in Soviet Lithuania as even more unsafe than the Chernobyl plant before it exploded.

# CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

# Choppy day for dollar

THE DOLLAR closed firmer in London yesterday, after a day of fairly choppy movements within a narrow range. News that the West German Bundesbank council had left the discount and Lombard rates unchanged came as little surprise, and although there was some initial pressure on the dollar it failed to keep the currency below DM 2.04. There was no reaction to a widening of the West German trade surplus in July to DM 10.9bn from DM 9.9bn, but dealers will wait to compare this with today's US trade figures, which are expected to show another large deficit, probably in the region of $13bn to $14bn.

Data on US leading indicators proved confusing. The July figure showed a much larger than expected rise of 1.1 per cent—most forecasters were looking for a rise of about 0.5 per cent, although some estimates were as high as 0.9 per cent—but the June rise of 0.3 per cent was revised to a fall of 0.4 per cent.

The dollar rose to DM 2.0490 from DM 2.0445; to FFr 6.7150 from FFr 6.7025; to SFr 1.6525 from SFr 1.6450; and to Y155.95 from Y154.65.

On Bank of England figures the dollar's exchange rate index rose to 111.1 from 110.8.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3700. July average 1.5089. Exchange rate index fell 9.2 to 71.0, compared with 73.2 six months ago.

Sterling lacked direction in very quiet trading. Oil prices were slightly firmer, but there were no new factors to influence the pound. Sterling fell 35 points to $1.4805-1.4815, and to FFr 9.9450 from FFr 9.95, but was unchanged at DM 3.0350, and improved slightly to SFr 2.4475 from SFr 2.4425 and to Y231 from Y229.50.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.0415. July average 2.1521. Exchange rate index 140.0 against 135.4 six months ago.

The D-mark moved nervously against the dollar in Frankfurt yesterday, but finished unchanged. The US currency failed to move into a new trading range after the Bundesbank left credit policies unchanged at yesterday's council meeting, and then tended to move upwards. It was generally assumed the central bank would now cut its discount rate at the next council meeting on September 11, and this helped prevent any sharp weakening of the dollar. A larger than expected rise in July US leading indicators also lent support to the dollar, which closed at DM 2.0480, unchanged from Wednesday. Earlier in the day the Bundesbank did not intervene when the dollar was fixed at DM 2.0469 compared with DM 2.0595 previously. In Paris the D-mark was fixed at a record high of FFr 3.2777, against FFr 3.2747 on Wednesday.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 153.15. July average 158.61. Exchange rate index 215.1 against 189.9 six months ago.

The yen trading quietly in Tokyo, finishing little changed from overnight levels in New York and London. Dealers were generally prepared to wait for the outcome of yesterday's West German Bundesbank council meeting and for publication of July US leading indicators. After moving within a narrow range the dollar closed at Y154.80 in Tokyo, compared with Y154.75 on Wednesday in New York and Y154.65 in London. The previous Tokyo finish was Y155.25. Dealers appeared to feel that any major change in the value of the dollar would wait until after the Labour Day holiday in the US on Monday.

### £ IN NEW YORK

| Aug 28 | Latest | Prev. close |
|---|---|---|
| Spot | $1.4825-1.4835 | $1.483 1.484 |
| 1 month | 0.56-0.48 pm | 0.55-0.56 pm |
| 3 months | 1.40-1.58 pm | 1.46-1.44 pm |
| 12 months | 4.65-4.68 pm | 4.93-4.86 pm |

Forward premiums and discounts apply to the US dollar

### POUND SPOT—FORWARD AGAINST POUND

| Aug 28 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.4780-1.4840 | 1.4805-1.4810 | 0.52-0.49c pm | 4.09 | 1.52-1.47pm | 4.04 |
| Canada | 2.0616-2.0710 | 2.0530-2.0640 | 0.30-0.20c pm | 1.45 | 0.80-0.65pm | 1.41 |
| Nethlnd. | 3.41½-3.42¾ | 3.41½-3.42½ | 1½-1¼c pm | 4.82 | 4¼-3⅞pm | 4.68 |
| Belgium | 62.67-62.96 | 62.75-62.85 | 20-15c pm | 5.34 | 38-29pm | 2.13 |
| Denmark | 11.44½-11.48 | 11.46½-11.47½ | 2-¾ore pm | 1.44 | 2¾-1¼pm | 0.70 |
| Ireland | 1.0090-1.1070 | 1.1040-1.1050 | par-0.10p dis | −1.09 | 0.10-0.30dis | −0.72 |
| W. Ger. | 3.02½-3.04 | 3.03-3.04 | 1½-1¼pf pm | 5.44 | 4½-3⅞pm | 6.27 |
| Portugal | 214.60-216.60 | 214.60-216.23 | 109-187c dis | −8.26 | 303-517dis | −7.63 |
| Spain | 198.08-198.79 | 198.29-198.48 | 43-88c dis | −3.96 | 120-215dis | −3.38 |
| Italy | 2089½-2097½ | 2093-2094 | 3-8 lire dis | −2.58 | 7-12dis | −1.82 |
| Norway | 10.83¾-10.86 | 10.84½-10.85½ | 3½-4½ore dis | −4.01 | 11½-12½dis | −4.47 |
| France | 9.92-9.95½ | 9.94-9.95 | 2½-1⅞c pm | 2.56 | 6¼-5½pm | 2.34 |
| Sweden | 10.23-10.25¾ | 10.24-10.25 | ¼pm-¼ore dis | — | 1-¾pm | 0.27 |
| Japan | 229-231½ | 230½-231½ | 1-⅞y pm | 4.87 | 2⅞-2¾pm | 4.76 |
| Austria | 21.28-21.38 | 21.26-21.29 | 9½-7½gro pm | 4.80 | 24½-21½pm | 4.35 |
| Switz. | 2.43-2.45½ | 2.44½-2.45¼ | 1½-1¼c pm | 8.12 | 3½-3¼pm | 5.51 |

Belgian rate is for convertible francs. Financial franc 63.55-63.65. Six-month forward dollar 2.79-2.74c pm. 12-month 5.08-4.98c pm.

### DOLLAR SPOT—FORWARD AGAINST DOLLAR

| Aug 28 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.4780-1.4840 | 1.4805-1.4816 | 0.52-0.49c pm | 4.09 | 1.52-1.47pm | 4.04 |
| Ireland† | 1.3365-1.3475 | 1.3410-1.3420 | 0.65-0.30c pm | 4.24 | 1.55-1.35pm | 4.91 |
| Canada | 1.3900-1.3980 | 1.3920-1.3930 | 0.29-0.32c dis | −2.62 | 0.93-0.96dis | −2.74 |
| Nethlnd. | 2.3000-2.3180 | 2.3100-2.3110 | 0.16-0.13c pm | 0.75 | 0.45-0.40pm | 0.74 |
| Belgium | 42.20-42.65 | 42.35-42.45 | 5-7c dis | −1.70 | 17-21dis | −1.79 |
| Denmark | 7.71½-7.77 | 7.74½-7.74¾ | 1.40-2.00ore dis | −2.64 | 8.00-8.80dis | −5.26 |
| W. Ger. | 2.0395-2.0540 | 2.0485-2.0495 | 0.25-0.22c pm | 1.38 | 0.73-0.68pm | 1.38 |
| Portugal | 145½-146¼ | 146-146¼ | 120-180c dis | −11.82 | 330-470dis | −11.26 |
| Spain | 133.38-134.30 | 133.85-133.95 | 80-100c dis | −8.08 | 220-250dis | −7.03 |
| Italy | 1408-1418 | 1413¼-1413¾ | 7-8½ lire dis | −6.59 | 19½-21½dis | −5.81 |
| Norway | 7.30-7.34¾ | 7.32¼-7.32¾ | 4.75-5.15ore dis | −8.12 | 15.30-15.70d | −8.48 |
| France | 6.68½-6.73 | 6.71¼-6.71¾ | 0.75-0.90c dis | −1.48 | 2.55-2.85dis | −1.61 |
| Sweden | 6.89-6.93¾ | 6.91½-6.92 | 2.20-2.60ore dis | −4.08 | 6.30-6.70dis | −3.76 |
| Japan | 154.55-156.35 | 155.90-156.00 | 0.13-0.09y pm | 0.81 | 0.39-0.34pm | 0.94 |
| Austria | 14.36½-14.45¼ | 14.40½-14.41 | 1½-½gro pm | 0.83 | 2½-½pm | 0.42 |
| Switz. | 1.6410-1.6550 | 1.6520-1.6530 | 0.27-0.22c pm | 1.78 | 0.71-0.66pm | 1.66 |

†UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 42.90-43.00.

### EXCHANGE CROSS RATES

| Aug.28 | £ | $ | DM | YEN | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1. | 1.481 | 3.035 | 231.0 | 9.945 | 2.448 | 3.423 | 2094. | 2.064 | 62.80 |
| $ | 0.675 | 1. | 2.049 | 156.0 | 6.715 | 1.653 | 2.311 | 1414. | 1.393 | 42.40 |
| DM | 0.329 | 0.488 | 1. | 76.11 | 3.277 | 0.806 | 1.128 | 689.8 | 0.680 | 20.69 |
| YEN | 4.329 | 6.411 | 13.14 | 1000. | 43.05 | 10.60 | 14.82 | 9065. | 8.933 | 271.8 |
| F Fr. | 1.006 | 1.489 | 3.052 | 232.3 | 10. | 2.461 | 3.441 | 2105. | 2.075 | 63.16 |
| S Fr. | 0.409 | 0.605 | 1.240 | 94.38 | 4.063 | 1. | 1.398 | 855.4 | 0.843 | 25.66 |
| H Fl. | 0.292 | 0.433 | 0.887 | 67.49 | 2.906 | 0.715 | 1. | 611.7 | 0.603 | 18.35 |
| Lira | 0.478 | 0.707 | 1.450 | 110.3 | 4.750 | 1.169 | 1.635 | 1000. | 0.986 | 30.00 |
| C $ | 0.485 | 0.718 | 1.471 | 111.9 | 4.810 | 1.186 | 1.659 | 1010. | 1. | 30.45 |
| B Fr. | 1.592 | 2.358 | 4.833 | 367.8 | 15.84 | 3.897 | 5.450 | 3334. | 3.286 | 100. |

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

### EURO-CURRENCY INTEREST RATES

| August 28 | Short term | 7 Days notice | 1 Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 10¼-10⅜ | 10⅛-10⅜ | 10-10⅛ | 9⅞-9{15/16} | 9⅝-9¾ | 9⅝-9{11/16} |
| U.S. Dollar | 5⅞-6 | 5{13/16}-5{15/16} | 5{13/16}-5{15/16} | 5{13/16}-5{15/16} | 5{13/16}-5{15/16} | 5{13/16}-5{15/16} |
| Can Dollar | 7⅞-8⅜ | 8⅛-8⅜ | 8{5/16}-8{7/16} | 8¼-8½ | 8{5/16}-8{7/16} | 8{7/16}-8{11/16} |
| D Guilder | 6¼-6½ | 5¼-5⅝ | 5{7/16}-5{9/16} | 5⅜-5¼ | 5{7/16}-5{9/16} | 5{7/16}-5{9/16} |
| Sw. Franc | N/A | N/A | 4⅛-4¼ | 4⅛-4¼ | 4{1/16}-4{3/16} | 4{1/16}-4{3/16} |
| Deutschmrk | N/A | N/A | 4{7/16}-4{9/16} | 4{7/16}-4{9/16} | 4{7/16}-4{9/16} | 4{7/16}-4{9/16} |
| Fr. Franc | 7-7⅛ | 7-7⅛ | 7⅛-7¼ | 7¼-7⅜ | 7{5/16}-7{7/16} | 7⅝-7⅞ |
| Italian Lira | 10-11 | 11⅛-13⅛ | 11⅛-12½ | 11¼-11¾ | 10¾-11¼ | 10⅝-11⅛ |
| B.Fr.(Fin) | 7¼-7½ | 7¼-7½ | 7¼-7½ | 7⅛-7⅝ | 7-7½ | 7-7½ |
| B.Fr.(Con) | 7-7½ | 7¼-7¾ | 7¼-7¾ | 7⅛-7⅝ | 7-7½ | 7-7½ |
| Yen | 6¾-5⅞ | 5{1/16}-5{3/16} | 5{1/16}-5⅛ | 4¾-4{15/16} | 4⅝-4{13/16} | 4⅝-4{13/16} |
| D. Krone | 8⅞-9⅜ | 9¾-10¼ | 9¾-10¼ | 10⅜-10⅞ | 10⅜-10⅞ | 10¼-10¾ |
| Asian $ (Sng) | 5{13/16}-5{15/16} | 5{7/16}-5{9/16} | 5{13/16}-5{15/16} | 5{13/16}-5{15/16} | 5{13/16}-5{15/16} | 5{13/16}-5{15/16} |

Long-term Eurodollars: two years 6{13/16}-6{15/16} per cent three years 7-7⅛ per cent: four years 7⅛-7⅝ per cent: five years 7⅜-7⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen: others two days' notice.

### CURRENCY MOVEMENTS

| August 28 | Bank of England Index | Morgan Guaranty Change % |
|---|---|---|
| Sterling | 71.0 | −21.5 |
| U.S. Dollar | 111.1 | +2.6 |
| Canadian Dollar | 77.1 | −15.2 |
| Austrian Schilling | 131.5 | +8.1 |
| Belgian Franc | 96.8 | −6.3 |
| Danish Kroner | 88.3 | +0.5 |
| Deutsche Mark | 140.0 | +18.1 |
| Swiss Franc | 169.1 | +23.8 |
| Guilder | 128.5 | +11.8 |
| French Franc | 69.6 | −13.8 |
| Lira | 47.6 | −18.2 |
| Yen | 215.1 | +58.8 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

### CURRENCY RATES

| Aug. 27 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | — | 0.815602 | 0.681849 |
| US $ | 5½ | 1.20936 | 1.08657 |
| Canadian $ | 8.63 | * | 1.48947 |
| Austria Sch | 4 | 17.4888 | 14.7773 |
| Belgian Fr. | 8 | 51.2385 | 43.4882 |
| Danish Kr. | 7 | 9.35584 | 7.94122 |
| D'mark | 3½ | — | 2.10026 |
| Guilder | 4½ | 2.78127 | 2.37042 |
| French Fr. | 9½ | 8.10594 | 6.88222 |
| Lira | 12 | — | 1449.78 |
| Yen | 3½ | 187.274 | 159.262 |
| Norway Kr. | 8 | 8.84659 | 7.50738 |
| Span'h Pta. | — | 161.937 | 137.337 |
| Swedish Kr. | 8 | 8.35386 | 7.08735 |
| Swiss Fr. | 4 | 1.99368 | 1.69132 |
| Greek Drch | 20½ | 162.481 | 138.154 |
| Irish Punt | — | — | 0.763144 |

* C$/SDR rate for August 26 1.68968. (1) SDR Rate for August 26.

### OTHER CURRENCIES

| Aug. 28 | £ | $ |
|---|---|---|
| Arg'tina | 1.4675-1.4730 | 0.9900-0.9930 |
| Aus'alia | 2.4346-2.4386 | 1.6425-1.6440 |
| Brazil | 13.77-13.84 | 20.41-20.53 |
| Finland | 7.2686-7.2786 | 4.9035-4.9050 |
| Greece | 187.42-200.62 | 136.12-136.27 |
| H'kong | 11.5720-11.5825 | 7.8025-7.8045 |
| Iran | 118.90* | 76.40* |
| Kuwait | 0.4330-0.4335 | 0.29210-0.292 0 |
| Lux'burg | 62.75-62.85 | 42.35-42.45 |
| Malaysia | 3.8590-3.8660 | 2.6020-2.6050 |
| N'Z'land | 2.9860-2.9840 | 2.0140-2.0200 |
| Saudi Ar. | 5.5575-5.5630 | 3.7500-3.7510 |
| Sin'pore | 3.1965-3.2015 | 2.1555-2.1575 |
| SAf (Cm) | 3.3350-3.3670 | 2.2575-2.2940 |
| S.Af.(Fn) | 7.2315-7.6050 | 4.8780-5.1385 |
| U.A.E. | 5.4425-5.4480 | 3.6785-3.6735 |

* Selling rate.

## FINANCIAL FUTURES

# Mixed changes

PRICES SHOWED small mixed changes on the London International Financial Futures Exchange yesterday. US Treasury bond futures finished little changed at 101-24, compared with 101-23, for September delivery. The contract opened weak at 101-00, and fell to a low of 100-16 on news that the West German Bundesbank council meeting had left the discount and Lombard rates unchanged. The market expects a rise of about 0.6 per cent in US leading indicators in July, but did not react too adversely to the sharp rise of 1.1 per cent, the second highest increase this year. This was because the previously announced June rise of 0.3 per cent was revised to a fall of 0.4 per cent, the largest decrease so far this year. This confusing data encouraged dealers to wait for today's US trade figures for further guidance on the economy, but trading is unlikely to pick up until after Monday's Labour Day holiday in the US.

December Eurodollars finished just below the day's high at 94.22, compared with 94.17 previously, after opening steady at 94.16 and touching a low of 94.10.

Long term gilts opened lower, but rallied to close near the day's high. A slight firming in the cash market helped support prices, and technical spread trading between December and the now deliverable September contract helped boost activity.

### LIFFE LONG GILT FUTURES OPTIONS

| Strike price | Calls—Last Dec | Mar | June | Sept | Puts—Last Dec | Mar | June | Sept |
|---|---|---|---|---|---|---|---|---|
| 116 | 6.07 | 6.55 | — | — | 0.37 | 1.21 | — | — |
| 118 | 6.37 | 5.31 | — | — | 1.03 | 1.61 | — | — |
| 120 | 5.10 | 4.10 | — | — | 1.48 | 2.48 | — | — |
| 122 | 2.15 | 3.17 | — | — | 2.45 | 3.47 | — | — |
| 124 | 1.28 | 2.27 | — | — | 3.58 | 4.57 | — | — |
| 126 | 0.56 | 1.48 | — | — | 6.22 | 6.14 | — | — |
| 128 | 0.32 | 1.15 | — | — | 6.62 | 7.45 | — | — |
| 130 | 0.17 | — | — | — | 0.47 | — | — | — |

Estimated volume total: Calls 493, Puts 252
Previous day's open interest: Calls 6,588, Puts 1,879

### LIFFE US TREASURY BOND FUTURES OPTIONS

| Strike price | Calls—Last Dec | Mar | June | Sept | Puts—Last Dec | Mar | June | Sept |
|---|---|---|---|---|---|---|---|---|
| 90 | 11.24 | — | — | — | 0.08 | — | — | — |
| 92 | 9.34 | 9.30 | — | — | 0.10 | 1.10 | — | — |
| 94 | 7.49 | 7.62 | — | — | 0.33 | 1.42 | — | — |
| 96 | 6.10 | 6.39 | — | — | 0.58 | 2.10 | — | — |
| 98 | 4.46 | 5.25 | — | — | 1.30 | 3.00 | — | — |
| 100 | 3.32 | 4.21 | — | — | 2.16 | 4.01 | — | — |
| 102 | 2.32 | 3.27 | — | — | 3.10 | 5.07 | — | — |
| 104 | 1.46 | 2.43 | — | — | 4.30 | 6.23 | — | — |

Estimated volume total: Calls 29, Puts 54
Previous day's open interest: Calls 449, Puts 789

### LIFFE £/$ OPTIONS
£25,000 (cents per £1)

### LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

### PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

### LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

## LONDON

### 20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

### 10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

### FT-SE 100 INDEX
£25 per full index point

### THREE-MONTH EURODOLLAR
$1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 94.18 | 94.18 | 94.13 | 94.14 |
| Dec | 94.22 | 94.24 | 94.10 | 94.17 |
| March | 94.15 | 94.16 | 94.00 | 94.10 |
| June | 93.98 | 93.98 | 93.81 | 93.92 |
| Sept | 93.70 | 93.66 | 93.62 | 93.94 |
| Dec | 93.36 | 93.34 | 93.32 | 93.32 |
| March | 93.04 | — | — | 92.68 |

Estimated volume 5,330 (6,932)
Previous day's open int 22,510 (21,140)

### THREE-MONTH STERLING
£500,000 points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 90.29 | 90.35 | 90.28 | 90.35 |
| Dec | 90.74 | 90.79 | 90.72 | 90.78 |
| March | 90.80 | 90.82 | 90.78 | 90.81 |
| June | 90.70 | 90.72 | 90.69 | 90.71 |

Estimated volume 1,792 (1,380)
Previous day's open int 15,062 (15,249)

### US TREASURY BONDS
8% $100,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 101-24 | 101-29 | 100-16 | 101-23 |
| Dec | 101-08 | 101-12 | 100-00 | 101-02 |
| March | 100-10 | — | — | 100-04 |

Estimated volume 6,806 (8,421)
Previous day's open int 5,083 (5,429)

## CHICAGO

### US TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | 101-31 | 102-10 | 101-05 | 101-01 |
| Dec | 101-08 | 101-20 | 100-16 | 100-10 |
| March | — | 100-30 | 99-18 | 99-13 |
| June | — | 99-27 | 98-25 | 98-16 |
| Sept | 98-21 | 98-27 | 98-02 | 97-20 |
| Dec | 97-29 | 98-03 | 97-16 | 96-26 |
| March | 97-07 | 97-15 | 97-07 | 96-02 |
| June | — | — | — | 95-12 |
| Sept | — | — | — | — |
| Dec | 95-07 | 95-07 | 95-06 | 94-06 |
| March | 94-22 | 94-22 | 94-22 | 93-22 |

### CERT. DEPOSIT (IMM)
$1m points of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | — | — | — | 94.48 |
| Dec | — | 94.50 | 94.49 | 94.90 |

### US TREASURY BILLS (IMM)
$1m points of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | — | 94.84 | 94.73 | 94.78 |
| Dec | — | 94.96 | 94.89 | 94.89 |
| March | 94.93 | 94.95 | 94.87 | 94.89 |
| June | — | 94.80 | 94.73 | 94.75 |
| Sept | 94.57 | 94.58 | 94.52 | 94.53 |
| Dec | 94.27 | 94.29 | 94.23 | 94.24 |
| March | 93.98 | 94.01 | 93.98 | 93.90 |
| June | 93.70 | 93.73 | 93.70 | 93.68 |

### THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | 94.18 | 94.18 | 94.08 | 94.12 |
| Dec | 94.21 | 94.23 | 94.10 | 94.14 |
| March | 94.14 | 94.16 | 94.04 | 94.07 |
| June | 93.96 | 93.98 | 93.87 | 93.89 |
| Sept | 93.69 | 93.70 | 93.60 | 93.62 |
| Dec | 93.35 | 93.36 | 93.27 | 93.29 |
| March | 93.02 | 93.02 | 92.94 | 92.95 |
| June | 92.68 | 92.69 | 92.63 | 92.54 |

### CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.4810 | 1.4760 | 1.4661 | 1.4534 | 1.4307 |

IMM — STERLING $s per £

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | 1.4780 | 1.4815 | 1.4785 | 1.4795 |
| Dec | 1.4645 | 1.4670 | 1.4640 | 1.4660 |
| March | 1.4520 | 1.4550 | 1.4520 | 1.4525 |
| June | 1.4390 | 1.4400 | 1.4390 | 1.4370 |

LIFFE — STERLING £25,000 $ per £

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 1.4785 | 1.4814 | 1.4762 | 1.4805 |
| Dec | 1.4620 | — | — | 1.4665 |
| March | 1.4485 | — | — | 1.4543 |

Estimated volume 174 (350)
Previous day's open int 1,367 (1,517)

### STERLING INDEX

| | Aug 28 | Previous |
|---|---|---|
| 8.30 am | 71.0 | 71.1 |
| 9.00 am | 71.0 | 71.2 |
| 10.00 am | 71.0 | 71.2 |
| 11.00 am | 71.0 | 71.3 |
| Noon | 71.1 | 71.2 |
| 1.00 pm | 71.0 | 71.2 |
| 2.00 pm | 71.0 | 71.2 |
| 3.00 pm | 71.0 | 71.2 |
| 4.00 pm | 71.0 | 71.2 |

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu August 28 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 43.1139 | 43.4882 | +0.87 | +0.77 | ±1.5368 |
| Danish Krone | 7.81701 | 7.94122 | +1.59 | +1.49 | ±1.6403 |
| German D-mark | 2.11083 | 2.10026 | −0.50 | −0.60 | ±1.1127 |
| French Franc | 6.87310 | 6.88222 | +0.13 | +0.23 | ±1.3659 |
| Dutch Guilder | 2.37833 | 2.37042 | −0.33 | −0.43 | ±1.5069 |
| Irish Punt | 0.764976 | 0.763144 | −0.24 | −0.24 | ±1.6683 |
| Italian Lira | 1476.95 | 1449.78 | −1.84 | −1.64 | ±4.0734 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

## MONEY MARKETS

# Bundesbank fails to move rates

THERE WAS considerable speculation earlier this week that the West German Bundesbank was about to cut its discount rate, in response to last week's reduction in the US discount rate. But expectations gradually faded and when the Bundesbank council decided to leave credit policies unchanged at yesterday's meeting, this came as no surprise to the financial markets. There had been some lingering suggestions that the central bank might cut the Lombard rate, the level at which it makes loans to commercial banks, but after yesterday's meeting the discount rate remained at 3.5 per cent and the Lombard rate at 5.5 per cent.

**UK clearing bank base lending rate 10 per cent since May 22**

In London dealers saw the failure of the West German authorities to cut interest rates as a further setback to a lowering of UK bank base rates. In early trading three-month sterling interbank was unchanged at 9⅞-9¾ per cent, but moved firmer to close at 9{15/16}-9{13/16} per cent.

The Bank of England forecast a money market shortage of £550m and provided total assistance of £475m.

Before lunch the authorities bought £83m bills outright, by way of £19m bank bills in band 2 at 9{13/16} per cent and £64m bank bills in band 3 at 9¾ per cent.

In the afternoon another £352m bills were purchased outright, through £1m Treasury bills in band 1 at 9⅞ per cent; £66m bank bills in band 1 at 9⅞ per cent; £190m bank bills in band 2 at 9{13/16} per cent; £2m Treasury bills in band 3 at 9¾ per cent; £1m local authority bills in band 3 at 9¾ per cent; and £92m bank bills in band 3 at 9¾ per cent.

Late assistance of around £40m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £796m, with a rise in the note circulation absorbing £10m and bank balances below target another £55m. These outweighed Exchequer transactions adding £320m to liquidity.

### NEW YORK RATES
(Lunchtime)

| | |
|---|---|
| Prime rate | 7½ |
| Broker loan rate | 6¾-7 |
| Fed funds | 5⅞ |
| Fed funds at intervention | 5{11/16} |
| **Treasury Bills & Bonds** | |
| One month | 5.02 |
| Two month | 5.25 |
| Three month | 5.42 |
| Six month | 5.53 |
| One year | 5.67 |
| Two year | 6.07 |
| Three year | 6.25 |
| Four year | 6.44 |
| Five year | 6.52 |
| Seven year | 6.80 |
| 10 year | 7.00 |
| 30 year | 7.25 |

### FT LONDON INTERBANK FIXING

(11.00 a.m. August 28)

| Three months US dollars | | Six months US dollars | |
|---|---|---|---|
| bid 5 {11/16} | Offer 5 {13/16} | bid 5 {11/16} | Offer 5 {13/16} |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### LONDON MONEY RATES

| August 28 | Over night | 7 days notice | Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank | 8-10 | 10⅛-10¼ | 10-10⅛ | 9{15/16}-9{13/16} | 9⅝-9¾ | 9{11/16}-9{9/16} |
| Sterling CDs | — | — | 9{15/16}-10 | 9⅝-9¾ | 9{7/16}-9{5/16} | 9½-9{7/16} |
| Local Authority Depos | 10-10¼ | 9⅞-10 | 9{15/16}-10 | 9¾ | 9{9/16}-9{7/16} | 9{7/16}-9{5/16} |
| Local Authority Bonds | — | — | 10⅜ | 10{1/16} | 10 | 9{11/16} |
| Discount Mkt. Depos | 9¾-10¼ | 9{15/16}-10 | 9¾ | 9½ | — | — |
| Company Depos | -10⅛ | 10¼ | 10-10{1/16} | 9⅞ | 9⅝ | 9⅝ |
| Finance House Depos | — | — | 10 | 9⅞ | 9¾ | 9⅝ |
| Treasury Bills (Buy) | — | — | 9{13/16} | 9{11/16} | — | — |
| Bank Bills (Buy) | — | — | 9{13/16} | 9{11/16} | 9{11/16} | — |
| Fine Trade Bills (Buy) | — | — | 10{1/16} | 10{1/16} | 9{15/16} | — |
| Dollar CDs | — | — | 5.80-5.85 | 5.65-5.70 | 5.65-5.70 | 5.75-5.80 |
| SDR Linked Depos | — | — | 6{1/16}-6{3/16} | 6¾-6 | 5{15/16}-5{13/16} | 6¾-6 |
| ECU Depos | — | — | 7{1/16}-7{3/16} | 7⅛-7¼ | 7{1/16}-7{3/16} | 6{15/16}-7{1/16} |

Treasury Bills (sell): one month 9{25/32} per cent; three months 9¾ per cent. Bank Bills (sell): one month 9{25/32} per cent; three months 9⅝ per cent. Treasury Bills: Average tender rate of discount 9.2347 per cent. ECGD Fixed Finance Scheme IV reference rate July 2 to August 5 (inclusive): 10.008 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from August 1 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 9¾ per cent; three-six months 9½ per cent; six-nine months 9½ per cent; nine-12 months 9½ per cent. Under £100,000 9½ per cent from August 21. Deposits held under Series 5 9½ per cent. Deposits withdrawn for cash 5½ per cent.

### MONEY RATES

| August 28 | Ov'r-nig't | One Month | Two Months | Three Months | Six Months | Lombard Inv'nt'n |
|---|---|---|---|---|---|---|
| Frankfurt | 4.45-4.55 | 4.45-4.60 | 4.40-4.55 | 4.40-4.55 | 4.40-4.05 | 5.5 |
| Paris | 7 | 7{1/16}-7{3/16} | 7{1/16}-7{3/16} | 7-7⅛ | 7-7⅛ | 7 |
| Zurich | 7⅛-1⅛ | 4{1/16}-4{3/16} | — | 4{1/16}-4{3/16} | — | — |
| Amsterdam | 4¾-5 | 5{1/16}-5{3/16} | — | 5-5⅛ | — | — |
| Tokyo | 4.60375 | 4.84375 | — | 4.71875 | — | — |
| Milan | 11¼-11¾ | 11⅛-11½ | — | 11⅛-11½ | — | — |
| Brussels | 6.75 | 7¼-7⅜ | — | 7¼-7⅝ | — | — |
| Dublin | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | — |





### Company Notice

THE SCOTTISH AGRICULTURAL SECURITIES CORPORATION p.l.c.

10¼% DEBENTURE STOCK 1989-91

NOTICE IS HEREBY GIVEN that the REGISTERS of the CORPORATION'S above mentioned Debenture Stock will be CLOSED for TRANSFER and REGISTRATION from the 16th to 28th September, 1986, both days inclusive.

By Order of the Board
W. J. ALEXANDER,
Asst. Secretary.

48, Palmerston Place, Edinburgh EH12 5BR.
29th August, 1986.

### Personal

TONY LEWIS
Rain Abandoned
After 20 overs.

# $ WORLD VALUE OF THE DOLLAR

## BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, August 27, 1986. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., London
Eurodollar Libor as of August 27, at 11.00 a.m.
3 months: 5¾ 6 months: 5¾

ECU=$US1.02132 SDR1=$US1.20712
Sibor as of August 27, at 11.00 a.m.
3 months: 5¾ 6 months: 5¾

| COUNTRY | CURRENCY | VALUE OF DOLLAR | COUNTRY | CURRENCY | VALUE OF DOLLAR | COUNTRY | CURRENCY | VALUE OF DOLLAR |
|---|---|---|---|---|---|---|---|---|
| Afghanistan | Afghani (o) | 50.60 | Greece | Drachma | 135.10 | Papua New Guinea | Kina | 0.9828 |
| Albania | Lek | 6.8165 | Greenland | Danish Krone | 7.761 | Paraguay | Guarani (o.c.) | 240.00 |
| Algeria | Dinar | 4.63 | Grenada | E. Caribbean $ | 2.70 | | Guarani (d) | 642.00 |
| Andorra | French Franc | 6.738 | Guadaloupe | Franc | 6.738 | Peru | Intl. (o) | 13.95 |
| | Spanish Peseta | 134.70 | Guam | U.S. $ | 1.00 | Philippines | Peso | 20.49 |
| Angola | Kwanza | 29.918 | Guatemala | Quetzal (o) | 1.00 | Pitcairn Islands | N.Z. Dollar | 2.0305 |
| Antigua | E. Caribbean $ | 2.70 | | Quetzal (b, f) | 2.90 | Poland | Zloty (o) | 162.48 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

# LONDON SHARE SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

## INT. BANK AND O'SEAS GOVT STERLING ISSUES

## CORPORATION LOANS

## COMMONWEALTH & AFRICAN LOANS

## LOANS

Building Societies

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## FOREIGN BONDS & RAILS

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## BEERS, WINES & SPIRITS

## BUILDING, TIMBER, ROADS

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## DRAPERY & STORES—Cont.

## ELECTRICALS

## ENGINEERING

## ENGINEERING—Continued

## FOOD, GROCERIES, ETC

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)

## INDUSTRIALS—Continued

## INDUSTRIALS—Continued

| 1986 High | Low | Stock | Price | + or − | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 317 | 210 | Morgan Crucible | 255 | ..... | 8.5 | 1.7 | 4.7 | 16.0 |
| 23½ | 15½ | Morris (W) F.A. 20p | 21 | −1 | — | — | — | — |
| 141 | 65 | Myson Grp 10p | 132 | ..... | 2.63 | 2.6 | 2.8 | 17.0 |
| 365 | 259 | NMW Computers | 290 | −5 | 6.0 | 3.0 | 2.9 | 16.7 |
| 40 | 27 | Nash Inds. | 40 | — | 10.5 | — | 1.8 | — |
| 27½ | 15½ | Neil & Spencer 10p | 20 | ..... | — | — | — | — |
| 99 | 26 | Newman Inds 10p | 34 | ..... | 0.8 | 1.2 | 3.4 | 32.7 |
| 134 | 65 | Noble & Lund 10p | 138 | +2 | 0.7 | 4.3 | 0.8 | 42.8 |
| 65 | 44 | Norton | 45 | +1 | 10.95 | 7.0 | 3.0 | 6.4 |
| 143 | 96 | Norank Systems 5p | 141 | +1 | — | — | — | 18.1 |
| 286 | 187 | Norcros | 263 | +1 | 9.3 | 2.2 | 5.0 | 12.6 |
| 180 | 49 | Nu-Swift 5p | 165 | ..... | 3.5 | 2.1 | 3.0 | 22.2 |
| £336 | £228 | OCE 9pc Cnv 1987-92 | £335 | ..... | Q9% | — | 2.7 | — |
| 118 | 80 | Oakwood Grp. | 88 | ..... | 5.0 | 1.5 | ‡ | 12.2 |
| 250 | 203 | Office & Elect. | 232 | ..... | 8.5 | 2.9 | 3.6 | 8.6 |
| 183 | 70 | Oldacre 20p | 175 | ..... | 5.0 | ◆ | 4.1 | ◆ |
| 36 | 24 | Optometrics $0.01 | 26 | ..... | — | — | — | — |
| 690 | 500 | Oriflame £1 | 690 | +5 | 24.5 | 2.1 | 4.2 | 16.1 |
| 10 | 6 | Ovenstone 12½c | 6 | ..... | 23.3c | 1.9 | 14.1 | 3.7 |
| 142 | 85 | PCT Grp 10p | 110 | ..... | 3.2 | ◆ | 6.0 | ◆ |
| £20½ | 950 | PLM 'B' Sk 25 | £17¼ | −⅛ | Q23.2% | 0.3 | 3.3 | — |
| 184 | 114 | PSM Intl. | 177 | −3 | 5.5 | 2.1 | 4.4 | 15.5 |
| 255 | 167 | Pacer Systems $0.01 | 195 | ..... | 3.84 | 3.4 | 1.4 | 21.7 |
| 78 | 56 | Pacific Sales 10p | 62 | ..... | 3.0 | 2.1 | 6.8 | 8.1 |
| 342 | 225 | Park Place 10p | 330 | ..... | 16.25 | 1.9 | 2.7 | 27.7 |
| 445 | 246 | Parker Knoll 'A' | 375 | ..... | 19.5 | 2.9 | 3.6 | 13.6 |
| 555 | 208 | Parkfield Group 5p | 497 | +2 | 3.6 | ◆ | 1.0 | ◆ |
| 53 | 20 | Pavion Intl. | 23 | — | — | — | — | 6.1 |
| £130 | £78 | Do 11pc CvLn '94-02 | £80 | — | Q11% | — | 14.8 | — |
| 608 | 393 | Pearson | 520 | ..... | 10.0 | 2.8 | 2.7 | 17.4 |
| 26 | 12 | Peck Holdings 7p | 19 | ..... | — | — | — | — |
| 145 | 88 | Peerless | 145 | +2 | 6.3 | ◆ | 6.3 | ◆ |
| 519 | 141½ | Pentland 10p | 465 | ..... | 10.75 | 22.4 | 0.2 | 26.3 |
| £14 | 775 | Photo-Me | £12¾ | ..... | 5.08 | 5.3 | 0.6 | . |
| 475 | 315 | Pilkington Br. £1 | 428 | +2 | 13.5 | 2.7 | 4.3 | 9.0 |

## LEISURE—Continued

| 1986 High | Low | Stock |
|---|---|---|
| 115 | 58 | Leisuretime Int 10p |
| 117 | 100 | Lewmar |
| 220 | 133 | Media Tech Int 20p |
| 170 | 130 | Medminster 10p |
| 220 | 130 | Miss World 10p |
| 90 | 62 | Nationwide Leisure |
| 17 | 10½ | Ninsio Int 20c |
| 35¾ | 25 | Owners Abroad 3p |
| 90 | 46 | Photax (Lon.) |
| 34 | 28½ | P'dilly Radio NV |
| 73 | 25½ | Pineapple 10p |
| 391 | 280 | Pleasurama 5p |
| 178 | 136 | Do. 7pcCvCrnRedPf |
| 157 | 100 | Prestwich |
| 43 | 18 | Radio City 'A' NV |
| 48 | 33 | Radio Clyde N/V |
| 393 | 322 | Really Useful Grp 5p |
| 64 | 44 | Riley Leisure 10p |
| 230 | 154 | Saga Hols. 20p |
| 355 | 155 | Samuelson Grp 20p |
| 123 | 75 | Sangers Photo 10p |
| 178 | 138 | Scanro 50p |
| 340 | 175 | Scott. TV 10p |
| 294 | 114 | SeaCo Inc $0.125 |
| 27 | 7 | SelecTV 10p |
| 37 | 20 | Spectrum 5p |
| 46 | 21 | TSW 5p |
| 279 | 144 | TVS N/Vtg 10p |
| 198 | 113 | Television Svcs 50p |
| 242 | 219 | Thames TV |
| 72 | 50 | Tottenham Hotspur |
| 96 | 66 | Trilion 10p |
| 260 | 140 | Tyne Tees TV 'A' £1 |
| 135 | 104 | Ulster TV N/V 'A' |
| 100 | 50 | Viewplan 5p |

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

### Commercial Vehicles

### Components

### Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING, ADVERTISING

## INSURANCES

## PROPERTY

## LEISURE

## PROPERTY—Continued

## SHIPPING

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TOBACCOS

## TRUSTS, FINANCE, LAND

### Investment Trusts

## INVESTMENT TRUSTS—Cont.

### Finance, Land, etc

## FINANCE, LAND—Cont.

## OIL AND GAS

## OVERSEAS TRADERS

## PLANTATIONS

### Rubbers, Palm Oil

### Teas

## MINES

### Central Rand

### Eastern Rand

### Far West Rand

## MINES—Continued

### O.F.S.

### Diamond and Platinum

### Central African

### Finance

### Australians

### Tins

### Miscellaneous

## NOTES

## REGIONAL & IRISH STOCKS

"Recent Issues" and "Rights" Page 29

(International Edition Page 25)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

# LONDON STOCK EXCHANGE

**Account Dealing Dates**

**Option**

| *First Dealings | Declarations | Last Dealings | Account Day |
|---|---|---|---|
| Aug 11 | Aug 28 | Aug 29 | Sept 8 |
| Sept 1 | Sept 11 | Sept 12 | Sept 22 |
| Sept 15 | Sept 25 | Sept 26 | Oct 6 |

* "New-time" dealings may take place from 9.30 am two business days earlier.

# FT-SE index records twelfth rise in thirteen trading sessions

Investors began looking with some expectancy to the forthcoming Trustee Savings Bank share flotation and the consensus that the issue would be a success provided a strong prop for the market yesterday. Although the volume of business remained light, it was tilted quite noticeably towards buying orders. These came from both institutional and private clients with the former concentrating on international and banking issues.

Two leading broking houses initiated the raid on the banking sector and the activity soon attracted the attentions of professional and other operators. The view was that any major scaling down of TSB applications would leave considerable surplus funds for investment in other banks. The big four clearers shared equally in the demand and all achieved gains of around 20 despite closing a shade under the best levels.

Wall Street's indifferent performance overnight — the Dow Jones index pierced its early-July record high before reacting later — failed to subdue investors' interest. Similarly, the West German reluctance to make only a token reduction in interest rates after last week's US move was unable to quash hopes of lower UK base rates next month. The Bundesbank announced unchanged credit policies after yesterday's meeting.

US support was generally less evident and the oil sector suffered a mid-session reversal on speculation that a large line of British Petroleum shares was overhanging the market. Announcement of the group's second-quarter results brought another setback in BP which fell to 657p before recovering well to close only 4 down on balance at 666p. The cumulative gains of other constituents of the FT-SE 100 share index easily made up for the oil share losses and the close was 7 points up at 1,636.8, the twelfth rise in the past 13 trading sessions. The FT Ordinary share index rose 5.9 yesterday to 1,286.4.

The easier tone of US bonds allied to thoughts of possible official funding today sent Gilt-edged securities lower at the outset. Few sellers were active, however, and small demand restored prices to their overnight positions before they eased again late to close marginally cheaper on the session. The Government broker was not bid for supplies of the two remaining tranches of the trio issued to the market on Tuesday morning.

## Banks sharply higher

The major clearers displayed gains in excess of 20p for most of the session before shading in the late dealings. Lloyds finished 19 higher on balance at 442p, after 448p, while Midland closed 18 up at 560p, after 562p. Barclays ended 20 to the good at 512p, as did NatWest, at 542p. Royal Bank of Scotland rose 10 to 338p and Bank of Scotland gained 11 to 418p. In complete contrast, Irish banks came under further selling pressure following details of a £70m-plus rights issue from Allied Irish. AI dipped 14 more to 198p, while Bank of Ireland lost 10 to 173p. Among Merchant banks, Hambros revived with a gain of 7 at 212p.

Sedgwick Group continued to give ground in the wake of the £186m rights issue and eased afresh to 335p prior to closing a net 5 down at 340p. Other Lloyds brokers picked up from slightly lower opening levels to close a shade firmer for choice. Composites shrugged aside reports that the recent adverse weather may spark an increase in claims. Sun Alliance, interim figures due next week, edged up a couple of pence to 707p and Royals were also a shade better at 843p. General Accident were supported at 859p, up 11 and GRE firmed 6 to 860p. Among Life issues, profit-taking after the interim results left Refuge 12 lower at 386p.

With the exception of Whitbread A, which hardened a few pence to 268p, after 270p, leading Breweries were content to drift gently lower in subdued trading. Guinness eased 5 to 343p; brokers de Zoete and Bevan regard the company as "fairly valued" at present.

Blue Circle weakened afresh to 528p in the wake of the disappointing interim results, before picking up in the late dealings to close a penny dearer at 536p. AMEC continued to respond to the good half-year figures with a further gain of 5 to 289p, while John Mowlem revived with an improvement of 6 at 412p. Tarmac attracted support at 480p, up 4, and BPB Industries hardened a couple of pence to 502p. Wednesday's agreed offer from Hillsdown for timber group May and Hassell, continued to excite long standing takeover favourite Meyer International which firmed 4 more to 254p. Trent Holdings gained 10 to 98p, on bid rumours. On the other hand, Ward Holdings fell 20 to 260p following lower interim profits, while Federated Housing shed 10 to 148p after disappointing half-year figures. Arncliffe lost 3 to 65p despite news of a reduced first-half loss, while Wiggins gave up 6 to 142p following end-Account selling.

A continuation of Wednesday's squeeze on bear positions left ICI ½ higher at a year's peak of £10½. Among other Chemicals, Allied Colloids gained 12 to 213p in response to the chairman's optimistic statement at the annual meeting, while British Benzol firmed 4 to 88p following favourable Press comment. Laporte hardened 3 to 370p and Foseco improved 5 to 235p.

## Jewellers wanted

A generally uninspiring session among Retailers was featured by Ratners which advanced 9 more to 208p as investors continued to express enthusiasm over the appointment of Gerald Ratner as chairman. Other Jewellers went better with Ernest Jones 4 dearer at 82p. Elsewhere, mail-orders made fresh progress with Freemans another 10 to the good at 464p on reported chart support. Empire, down to 194p earlier, settled a couple of pence up on balance at 198p. Interest was also evident for USM-quoted Blanchards which responded afresh to favourable comment and rose 10 to 130p.

Electricals featured a rise of 24 to 322p in UEI as buyers warmed to the agreed merger with Solid State Logic Holdings. Lec Refrigeration, in contrast, dipped 8 to 245p on the lower interim earnings. Old takeover favourite United Scientific edged up 6 to 153p, but Cambridge Electronic, still reflecting the disappointing interim figures, eased 2 more to 193p. Leading issues were usually a few pence lower, but British Telecom firmed a couple of pence more to 200p.

Engineers passed a rather quiet trading session. Among the occasional noteworthy movements, GKN staged a useful recovery movement and closed 8 to the good at 275p. Outside of the leaders, Whessoe reacted 8 to 106p on the unwinding of speculative positions. Occasional support lifted 600 Group 3 to 111p, while Ransomes Sims, scheduled to reveal interim results on September 15, edged up 4 to 168p.

Foods displayed scattered gains. Rowntree Mackintosh continued to rally and closed 8 up at 388p, while Unigate picked up 3 to 283p. United Biscuits hardened a couple of pence to 240p. Ranks Hovis McDougall were supported at 262p, up 4, and Northern Foods gained a like amount at 292p. Elsewhere, recently-firm Iceland Frozen Foods eased 4 to 525p in the absence of further buying interest, but revived demand in a restricted market left Sidney C. Banks 5 higher at 365p.

Grand Metropolitan attracted buyers, mainly reflecting increased traded option activity and the price closed 11 higher at 396p. Ladbroke fluctuated narrowly following the interim figures and settled a penny dearer at 356p, after 358p.

## Bestobell advance

Bestobell advanced 12 to 524p as Meggitt declared its offer unconditional. Eleco in contrast, dipped 11 to 133p awaiting the outcome of the takeover bid from Whitecroft. Blue Arrow, reflecting publicity given to a broker's circular, advanced 15 to 400p, while Dwek Group, interim results scheduled for September 9, were supported and put on 12 to 135p. Smiths Industries hardened 4 more to 282p amid takeover suggestions. Press mention prompted a rise of 5 to 320p in Bowater and speculative buying lifted Hestair 7 to 170p, after 172p. Thermax, in which Suter holds a stake, encountered buyers and gained 7 to 137p, while Equipu rallied 10 to 132p. Bridon, awaiting figures due soon, put on 10 more to 162p. Pentland reacted to 440p following the bumper interim results before recovering to close unaltered on the day at 465p. Suggestions of a counter bid from Ocean Transport and Trading left Hargreaves 8 to the good at 276p, after 280p. Speculative buying revived in Times Veneer 2 better at 59p, after 60p, while Continuous Stationery continued to attract demand at 80p, up 5. Partly reflecting late demand, Dalgety rose 18 to 298p. Leading miscellaneous industrials met with selective buying, BTR improving 8 to 296p and gains of 5 being recorded in Hanson Trust, 190p, and Trafalgar House 291p. Boots closed a shade firmer at 212p following shareholders' approval of the Flint acquisition.

Jaguar, down to 508p initially amid vague rumours that major American competitor General Motors was set to cut its US retail prices, staged a useful rally and settled only 2 off on balance at 513p. Elsewhere in Motors, buyers returned for truck manufacturer ERF, 3 up at 80p. Among Components, AE closed a couple of pence higher at 236p as hostile bidder Turner and Newall announced that it controlled 24.09 per cent of the company.

Advertising agencies highlighted WCRS which attained a new 1986 high of 505p before easing back lated to 495p — a net gain of 15. Buyers also returned for Barham, finally 7 up for a two-day advance of 15 to 162p. Paper/Printings were quietly irregular. DRG eased 4 to 290p in the absence of any takeover developments, but Wednesday's announcement that Melton Medes holds a 12.4 per cent stake continued to buoy Olives Paper Mill, 3 dearer at 58p.

Slough Estates continued to attract support in the wake of the interim statement and rose 8 to 178p, a two-day gain of 14. Property Holding and Investment closed a couple of pence dearer at 130p as Greycoat's bid for the company lapsed. Takeover rumours boosted Marlborough 7 to 81p while renewed demand lifted Abaco 4 to 78p. Tops Estates moved up 20 to 410p in a restricted market.

Textiles provided a number of firm features. Courtaulds rose 4 to 265p, while Dawson International, depressed of late following broker's bearish circulars, rallied a like amount to 236p. John Crowther hardened 3 more to 173p following confirmation of the purchase of swimwear concern Speedo (Europe) and its West German subsidiary in a £10m deal. Revived speculative demand stimulated Burmatex, 15 up at 203p, and Illingworth Morris, finally 6 higher at 120p. Gaskell Broadloom hardened 3 to 101p awaiting today's interim statement, while "call" option activity lifted Ireland's Youghal Carpets 1½ to 10½p.

Investment Trusts again reflected firmer conditions prevailing elsewhere in equities. Electric and General advanced 12 to 360p, while gains of 8 were common to First Scottish American, 330p, and Alliance Trust, 805p. United States Debenture Corporation rose 8 to 296p following the sharply increased first-half earnings. Among Financials, Britannia Arrow hardened a few pence more to 154p in response to the interim statement. Vague takeover chatter lifted Exco International 5 to 230p, while occasional support was also forthcoming for Mercantile House, 298p, and International City, 175p, up 10 and 3 respectively. Templeton Galbraith and Hansberger improved 7 to 220p on further consideration of the mid-term statement, but Flextech, buoyant last week following the partial offer from a syndicate headed by Mr James Mayne, dipped 5 to 56p.

## BP easier

BP and Shell, the oil sector's star performers in recent weeks, made a bright start to the day with both opening at their best levels this year. BP rose to 680p, but quickly fell back to 657p on a mixture of profit-taking, rumours that a large line of shares were about to come on offer, and mild disappointment with the interim dividend that accompanied the second-quarter results; a subsequent rally left the shares a net 4 easier at 666p. Shell, initially 938p, fell back to 928p prior to closing unchanged on the session at 930p. Other leading oils were largely overlooked but Enterprise managed a 3 rise to a 1986 high of 136p. IC Gas, regarded as a prime takeover target, advanced 7 to 455p. Secondary issues were again highlighted by Triton Europe which moved up 10 more to 145p, after 148. Clyde Petroleum hardened a shade to 36p on news of the acquisition of Norwich Union's oil and gas interests in exchange for shares which will increase Norwich's stake in Clyde to 11.1 per cent.

The latest outbreaks of violence in the Soweto township near Johannesburg triggered a fresh upturn in precious metals prices and arrested an initial decline in South African gold and platinum shares.

Platinum finally moved through the $604 an ounce level — at the beginning of the month the metal was trading in the region of $450 an ounce — still reflecting concern over the possibility of major disruption to South African production. Platinums attracted persistent buying interest, much of which developed during the later afternoon, and Impala improved from an early level of 720p to end a net 20 higher at 745p. Rustenburg settled 25 firmer at 745p.

Golds managed to recover most of initial losses, with the leading issues particularly well supported after-hours. Vaal Reefs were finally ½ to the good at £43⅞, while rises of around ¼ to ⅜ were common to Western Deep, £20¼, and Southvaal, £19⅞.

The mines in the Gencor group scheduled to announce dividends next Thursday were mixed. Kinross put on 15 to 758p, but minor falls were seen in Bracken, 125p, Leslie, 86p and Unisel, 391p.

The Gold Mines Index showed a marginal improvement at 245.1, while bullion closed a net $4.5 up at $385.5 an ounce.

South African Financials were highlighted by "Amgold," which improved almost a point to £43⅞ ahead of the interim results expected next Thursday. Anglo American were supported late in the day and closed a net 10 to the good at 860p, after dipping to 830p in the morning, while De Beers were finally a few pence better at 435p.

Worries over the latest riots in South Africa restrained interest in Consolidated Gold Fields, which closed unaltered at 497p but Rio Tinto-Zinc were buoyed by the good gains in domestic equities and touched 614p prior to closing 5 firmer at 612p.

Australians were quietly mixed. Peko-Wallsend eased a couple of pence to 226p despite the sharply increased annual profits and dividend while Renison dropped 16 to 290p following the preliminary figures and proposed scrip issue.

## Traded Options

Trading Option volume held up reasonably well. Total contracts transacted amounted to 18,988 made up of 13,595 calls and 5,393 puts. Hanson Trust remained active with 1,819 calls and 261 puts done, while operators also directed their attentions to Grand Metropolitan which attracted 1,038 calls. British Petroleum recorded 1,624 calls and 1,100 puts following the second-quarter figures, while a lively and evenly-balanced business developed in Boots which contributed 947 calls and 747 puts in the wake of the EGM. The introduction of Traded Options in Guinness proved to be a resounding success with 1,636 calls struck — 1,146 of which were done in the November 360 series.

## FINANCIAL TIMES STOCK INDICES

| | Aug 28 | Aug 27 | Aug 26 | Aug 22 | Aug 21 | year ago | 1986 High | 1986 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 89.62 | 89.66 | 89.74 | 89.54 | 89.85 | 83.62 | 94.51 (18/4) | 80.39 (29/7) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 95.62 | 95.67 | 95.48 | 95.72 | 95.81 | 88.60 | 97.68 (7/7) | 86.35 (23/1) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary ♥ | 1,286.4 | 1,280.5 | 1,276.6 | 1,271.2 | 1,276.1 | 1003.9 | 1,425.9 (3/4) | 1,094.3 (14/1) | 1,425.9 (3/4/86) | 49.4 (26/6/40) |
| Gold Mines | 245.1 | 244.9 | 246.0 | 235.9 | 226.9 | 280.1 | 357.0 (27/1) | 185.7 (18/7) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| Ord. Div. Yield | 4.29 | 4.30 | 4.33 | 4.35 | 4.37 | 4.67 | | | | |
| Earnings Yld.% (full) | 10.28 | 10.40 | 10.47 | 10.52 | 10.55 | 11.56 | | | | |
| P/E Ratio (net) (*) | 11.88 | 11.72 | 11.64 | 11.59 | 11.56 | 10.71 | | | | |
| Total Bargains (Est.) | 20,685 | 19,520 | 19,975 | 20,864 | 20,734 | 21,382 | | | | |
| Equity Turnover £m. | — | 494.02 | 404.42 | 451.04 | 671.97 | 458.98 | | | | |
| Equity Bargains | — | 21,252 | 18,535 | 16,348 | 18,535 | 23,982 | | | | |
| Shares Traded (ml). | — | 217.8 | 181.8 | 201.6 | 504.4 | 213.6 | | | | |

**S.E. ACTIVITY**

| Indices | Aug.27 | Aug.22 |
|---|---|---|
| Gilt Edged Bargains | 123.1 | 140.6 |
| Equity Bargains | 137.7 | 120.1 |
| Equity Value | 998.5 | 817.4 |
| 5-Day Average | | |
| Gilt Edged Bargains | 123.4 | 124.6 |
| Equity Bargains | 122.6 | 120.4 |
| Equity Value | 1091.8 | 1104.5 |

| ♥ Opening | 10 a.m. | 11 a.m. | Noon | 1 p.m. | 2 p.m. | 3 p.m. | 4 p.m. |
|---|---|---|---|---|---|---|---|
| 1279.8 | 1280.8 | 1280.9 | 1282.6 | 1284.1 | 1283.9 | 1284.9 | 1285.0 |

Day's High 1286.4. Day's Low 1279.8.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.48.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

## EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 43,294

A=Ask B=Bid C=Call P=Put

## TRADITIONAL OPTIONS

| First Dealings | Last Dealings | Last Declaration | For Settlement |
|---|---|---|---|
| Aug 18 | Sept 5 | Nov 20 | Dec 1 |
| Sept 8 | Sept 19 | Dec 4 | Dec 15 |
| Sept 22 | Oct 3 | Dec 18 | Dec 29 |

*For rate indications see end of Unit Trust Service*

Call options were taken out in Metal Closures, Amstrad, Horace Cory, Glanfield Lawrence, Barker and Dobson, Pavion, Ultramar, Oliver Prospecting, Wace, Oil Search, Ecobric, Sidney C. Banks, Tricentrol and S. W. Wood. A put was done in Five Oaks, while double options were transacted in Glanfield Lawrence, Ultramar, Pentland and Premier Oil.

## YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

| Stock | Closing price | Day's change | Stock | Closing price | Day's change |
|---|---|---|---|---|---|
| Barclays | 512 | +20 | NatWest Bank | 542 | +20 |
| BP | 666 | −4 | Ratners | 208 | +9 |
| Barmah Oil | 407 | +10 | Shell Transport | 930 | — |
| Crowther (J.) | 173 | +3 | Scand. Diffusion | 42 | +4 |
| Lloyds Bank | 442 | +18 | Thermax | 137 | +7 |
| Midland Bank | 560 | +18 | UEI | 322 | +24 |

## WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

| Stock | No. of changes | Wed. close | Day's change | Stock | No. of changes | Wed. close | Day's change |
|---|---|---|---|---|---|---|---|
| Glaxo | 25 | 982 | +27 | Ocean Trans. | 15 | 235 | +17 |
| ICI | 23 | £10⅜ | +¼ | Britoil | 13 | 135 | +2 |
| Shell Trans. | 20 | 930 | +27 | RTZ | 13 | 607 | +9 |
| Jaguar | 19 | 515 | +27 | ASDA-MFI | 12 | 146 | −2 |
| AMEC | 16 | 284 | +14 | Beecham | 12 | 403 | +5 |
| Blue Circle | 15 | 536 | −12 | Sedgwick Grp. | 12 | 345 | −27 |

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 12 | 60 | 36 |
| Corpns. Dom. & Foreign Bonds | 9 | 5 | 55 |
| Industrials | 300 | 217 | 1,003 |
| Financial & Props. | 103 | 80 | 332 |
| Oils | 28 | 25 | 61 |
| Plantations | 2 | 2 | 10 |
| Mines | 45 | 50 | 50 |
| Others | 60 | 60 | 75 |
| Totals | 634 | 499 | 1,662 |

## FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Thursday August 28 1986 — Wed August 27 — Tues Aug 26 — Fri Aug 22 — Year ago (approx.)

Figures in parentheses show number of stocks per section

## FIXED INTEREST

## NEW HIGHS AND LOWS FOR 1986

**NEW HIGHS (103)**

BRITISH FUNDS (1). AMERICANS (2). BANKS (2). BUILDINGS (1). CHEMICALS (5). STORES (3). ELECTRICALS (2). ENGINEERING (1). FOODS (3). INDUSTRIALS (17). INSURANCE (1). MOTORS (1). NEWSPAPERS (1). PAPER (3). PROPERTY (2). TRUSTS (39). OILS (5). MINES (1).

**NEW LOWS (13)**

BANKS (1) Bank of Ireland). ELECTRICALS (1) Enkat. INDUSTRIALS (3) Jacksons Bourne End. Limoges Porcelain, Tinsley (Eliza). NEWSPAPERS (1) Collins (Wm) A. PAPER (2) CPM, Space Planning Services. TRUSTS (1) Cambium Venture Cap. OILS (3) Goal Petroleum, INOCO, Oliver Resources. MINES (1) Simmer & Jack.

## BASE LENDING RATES

| | % | | % |
|---|---|---|---|
| ABN Bank | 10 | Exeter Trust Ltd. | 10½ |
| Allied Arab Bank Ltd | 10 | Financial & Gen. Sec. | 10 |
| Allied Dunbar & Co | 10 | First Nat. Fin. Corp. | 11 |
| Allied Irish Bank | 10 | First Nat. Sec. Ltd | 11 |
| American Express Bk. | 10 | ● Robert Fleming & Co. | 10 |
| Amro Bank | 10 | Robert Fraser & Ptrs. | 11 |
| Henry Ansbacher | 10 | Grindlays Bank | ‡10 |
| Associates Cap Corp. | 10 | ● Guinness Mahon | 10 |
| Banco de Bilbao | 10 | ● Hambros Bank | 10 |
| Bank Hapoalim | 10 | Heritable & Gen. Trust | 10 |
| Bank Leumi (UK) | 10 | ● Hill Samuel | §10 |
| Bank Credit & Comm. | 10 | C. Hoare & Co. | 10 |
| Bank of Cyprus | 10 | Hongkong & Shanghai | 10 |
| Bank of Ireland | 10 | Knowsley & Co. Ltd | 10½ |
| Bank of India | 10 | Lloyds Bank | 10 |
| Bank of Scotland | 10 | Mase Westpac Ltd. | 10 |
| Banque Belge Ltd | 10 | Meghraj & Sons Ltd. | 10 |
| Barclays Bank | 10 | Midland Bank | 10 |
| Benchmark Trust Ltd | 10 | ● Morgan Grenfell | 10 |
| Beneficial Trust Ltd | 11 | Mount Credit Corp. Ltd | 10 |
| Berliner Bank AG | 10 | National Bk. of Kuwait | 10 |
| Brit. Bk. of Mid. East | 10 | National Girobank | 10 |
| Brown Shipley | 10 | National Westminster | 10 |
| CL Bank Nederland | 10 | Northern Bank Ltd | 10 |
| Canada Permanent | 10 | Norwich Gen. Trust | 10 |
| Cayzer Ltd | 10 | PK Finans. Intl (UK) | 10½ |
| Cedar Holdings | 11 | Provincial Trust Ltd | 11 |
| Charterhouse Bank | 10 | R. Raphael & Sons | 10 |
| Citibank NA | 10 | Roxburghe Guarantee | 11 |
| Citibank Savings | ¶10¾ | Royal Bank of Scotland | 10 |
| City Merchants Bank | 10 | Royal Trust Co. Canada | 10 |
| Clydesdale Bank | 10 | Standard Chartered | 10 |
| Comm. Bk. N. East | 10 | Trustee Savings Bank | 10 |
| Consolidated Credits | 10 | UDT Mortgage Express | ¶10.9 |
| Continental Trust Ltd. | 10 | United Bank of Kuwait | 10 |
| Co-operative Bank | *10 | United Mizrahi Bank | 10 |
| The Cyprus Popular Bk. | 10 | Westpac Banking Corp | 10 |
| Duncan Lawrie | 10 | Whiteaway Laidlaw | 10½ |
| E. T. Trust | 11 | Yorkshire Bank | 10 |
| Equatorial Tst Corp. plc | 10 | | |

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

## LONDON TRADED OPTIONS

| Option | | Calls Oct. | Calls Jan. | Calls Apr. | Puts Oct. | Puts Jan. | Puts Apr. |
|---|---|---|---|---|---|---|---|
| Allied Lyons (*335) | 300 | 46 | 58 | 70 | 4 | 7 | [illegible] |
| | 330 | 26 | 37 | 52 | 12 | 15 | [illegible] |
| | 360 | 11 | 20 | 30 | 27 | 30 | [illegible] |

# WORLD STOCK MARKETS

## AUSTRIA

## BELGIUM/LUXEMBOURG

## DENMARK

## FRANCE

## GERMANY

## ITALY

## NETHERLAND

## NORWAY

## SPAIN

## SWEDEN

## SWITZERLAND

## AUSTRALIA

## AUSTRALIA (continued)

## HONG KONG

## JAPAN

## JAPAN (continued)

## SINGAPORE

## SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. • Price in Kroner.

## CANADA

### TORONTO

*Prices at 2.30pm August 28*

### MONTREAL

*Closing prices August 27*

## Indices

### NEW YORK

### LONDON
**Chief price changes** (in pence unless otherwise indicated)

**RISES**

| | | |
|---|---|---|
| Allied Colloids | 213 | +12 |
| Barclays | 512 | +20 |
| Barham | 162 | + 7 |
| Bestobell | 524 | +12 |
| Blue Arrow | 400 | +15 |
| Bridon | 162 | +10 |
| Burmah Oil | 407 | +10 |
| Burmatex | 203 | +15 |
| Freemans | 464 | +10 |
| GKN | 275 | + 8 |
| Grand Met | 396 | +11 |
| Hargreaves | 276 | + 8 |
| Illingworth Morris | 120 | + 6 |
| Lloyds Bank | 442 | +19 |
| Marlborough Prop | 81 | + 7 |
| Ratners | 208 | + 9 |
| Roy. Bank of Sc. | 338 | +10 |
| Rustenburg Plat | 745 | +25 |
| Slough Estates | 178 | + 8 |
| Triton Europe | 145 | +10 |
| U & I | 322 | +24 |
| Wight Collins RS | 495 | +15 |

**FALLS**

| | | |
|---|---|---|
| Allied Irish Banks | 198 | −14 |
| Eleco | 133 | −11 |
| Fed. Housing | 148 | −10 |
| Sedgwick Group | 340 | − 5 |
| Wards Hldgs | 260 | −20 |

** Saturday August 23: Japan Nikkei 18132.83. TSE 1508.89.

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

* Indicates pre-close figure

## OVER-THE-COUNTER
*Nasdaq national market, 2.30pm prices*

Continued from Page 35

# Bourses fall as Bundesbank holds firm

Continued from Page 36

which showed a 5 per cent gain for the same period, retreating Fl 1.70 to Fl 75.50. Nat-Ned, which released slightly firmer results on Wednesday, turned 40 cents easier to Fl 87.80.

Van Ommeren shed Fl 1.20 to Fl 37.50 on its lower first-half figures.

Banks were weak, with ABN down Fl 3.50 to Fl 593.50 after profit-takers trimmed back some of Wednesday's sharp rise.

Bond prices moved lower late in the day following the Bundesbank meeting. Money market rates jumped, however, with overnight funds up 5/16 at 5⅛ to 5¼ per cent and three-month funds adding ⅛ at 5⅛ to 5¼ per cent.

**Milan** opened firm, with moderate demand for insurers and industrials, but profit-takers surfaced late in the day as demand dried up.

Generali continued to gain ground with a further L1,800 rise to L168,800 while Toro added L400 to L38,400.

Leading industrials finished mixed, with Olivetti down L160 to L17,820 and Fiat up L50 to L15,900. Montedison, still in negotiation with Fermenta over the takeover of the Swedish technology group, edged L12 higher to L3,645.

Banks were lower by the close, with Mediobanca L5,100 down at L284,000 after holding steady for most of the day, and Banca Commerciale dropped L630 to L28,370.

Pininfarina, the family controlled car design group, was officially quoted for the first time yesterday. The L1,000 nominal value shares closed at L23,995 compared with L25,000 quoted on the unofficial "third market" on Wednesday. The original issue price of the shares was L15,000.

**Oslo** rose on more concentrated demand for oil and industrial issues with the All-Share index 2.02 higher at 290.87. Volume was valued at NKr 62m.

Norsk Hydro added NKr 2 more to NKr 157.50 in moderate volume but experienced hectic after-bourse trading as foreign investors offloaded up to 300,000 shares pushing the price back to NKr 156.

Kvaerner Industrier was again actively traded NKr 10 higher to NKr 195 with heavy Swiss buying detected. Speculation persisted that Kvaerner and Elkem were poised for a merger. Elkem rose 50 øre to NKr 114.50.

Norsk Data, one of the most active on Wednesday, encountered a sharp dose of profit-taking as it closed NKr 4.50 down to NKr 227.50 following its six-month results announced earlier this week.

Insurers were buoyed by news that premiums would rise by up to 30 per cent to offset last year's losses, particularly on car cover. Storebrand gained NKr 4.50 to NKr 285.50, and Vesta at NKr 228 was NKr 3 higher.

**Stockholm** was lower in lacklustre trading ahead of results by Volvo and Ericsson.

Volvo posted a first-half profits gain although US sales were hit by the lower dollar. It traded SKr 7 lower to SKr 394. Ericsson fell SKr 2 to SKr 225 ahead of announcing a drop in earnings and plans to cut the workforce by 4,800.

Electrolux gave up SKr 5 to SKr 298 ahead of today's results, and Astra resisted the easier trend with its SKr 3 advance to SKr 885.

Pharmacia gave up SKr 2 to SKr 214, and Fermenta remained suspended for the fourth session pending a resolution of talks with Montedison.

**Madrid** started weak but finished slightly higher, with banks leading the rally. Banco Vizcaya jumped 55 percentage points to 1,600 per cent of nominal value. Banco Bilbao gained 30 points to 1,150 per cent.

**Paris** was stopped in its tracks by profit-takers. **Brussels** turned narrowly mixed.

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | Low | Stock | Div. | Yld | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 36½ | 13¾ | AAR s | .44 | 1.9 | 18 | 130 | 23¼ | 23 | 23¼ | +¼ |
| 30 | 21¼ | ADT | .92 | 3.8 | | 176 | 24¼ | 24 | 26 | |
| 33 | 11½ | AFG s | .08i | .3 | 17 | 699 | 31¼ | 30¼ | 31 | +½ |
| 25⅜ | 13¾ | AGS | | | 13 | 123 | 19¼ | 18¾ | 19 | −¼ |
| 15 | 9⅞ | AMCA | | | 250 | 26 | 10 | 10 | 10 | |
| 60⅝ | 37½ | AMR | | | 14 | 1922 | 57⅜ | 50½ | 56¾ | −⅛ |
| 27½ | 23¼ | ANR pf 2.67 | | 16 | | 2 | 25½ | 25½ | 25½ | −½ |
| 12½ | 8½ | APL | | | 6 | 3 | 11 | 11 | 11 | −⅛ |
| 16¾ | 16 | ARX | .71t | 6.4 | 10 | 31 | 11⅜ | 11⅛ | 11⅛ | |
| 40⅞ | 28¾ | ASA | 2a | 5.8 | | 1473 | 34¼ | 33¾ | 34⅛ | +⅞ |
| 18⅝ | 9¾ | AVX | | | 28 | 38 | 11⅜ | 11¼ | 11¼ | −¼ |
| 32 | 22⅝ | AZP | 2.72 | 8.6 | 9 | 1158 | 31⅞ | 31⅝ | 31¾ | +⅛ |
| 55 | 26⅜ | AbtLb s .64 | | 1.7 | 22 | 3249 | 49¼ | 48½ | 48¾ | −¼ |
| 32 | 19⅝ | AccoWd .56 | | 2.6 | 19 | 286 | 28½ | 27½ | 28½ | +1 |
| 14⅞ | 9 | AcmeC .40 | | 3.7 | | 149 | 11 | 10¾ | 10⅞ | +⅛ |
| 22¼ | 17 | AdaEx 1.90e | | 8.7 | | 54 | 22⅛ | 21⅞ | 21⅞ | −⅛ |
| 33⅝ | 16 | AdmMl .40 | | 1.4 | 13 | 13 | 29½ | 29⅜ | 29½ | |
| 20⅝ | 11⅞ | AdvSys .83t | | 5.3 | 14 | 25 | 16 | 15⅝ | 15⅝ | −½ |
| 32⅞ | 14⅛ | AMD | | | | 3085 | 19⅞ | 19¼ | 19½ | −⅛ |
| 12⅝ | 5⅝ | Adobe n | | | | 44 | 7¼ | 7⅛ | 7¼ | +⅛ |
| 18⅝ | 13¾ | Adob pf 1.84 | | 12 | | 52 | 15¼ | 15 | 15 | |
| 20½ | 15¼ | Adob pf 2.40 | | 13. | | 101 | 18⅝ | 18 | 18¼ | −⅛ |
| 19⅜ | 7⅜ | Advest .12a | | .8 | 11 | 169 | 14⅝ | 13¾ | 14⅝ | +⅝ |
| 66¼ | 42¼ | AetnLf 2.64 | | 4.1 | 11 | 2780 | 64⅞ | 63⅝ | 64¾ | +⅞ |
| 101½ | 89¾ | AetL pfC2.78e | | 3.1 | | 58 | 90 | 90 | 90 | −¼ |
| 28¾ | 9¾ | Ahmns s .48 | | 1.8 | 8 | 4154 | 25½ | 24¾ | 25⅛ | −½ |
| 5¾ | 2½ | Aileen | | | 78 | 172 | 4 | 3¾ | 3⅞ | −⅛ |
| 41⅝ | 25¾ | AirPrd s .80 | | 2.5 | 39 | 5706 | 32⅝ | 31½ | 32⅝ | +1½ |
| 27¾ | 16 | AirbFrt .60 | | 3.2 | 18 | 73 | 19½ | 19 | 18 | |
| 2⅛ | ⅜ | AlMoan .60c | | | | 148 | 15-32 | 7-16 | 7-16 | |
| 10¾ | 7⅜ | AlaP dpf .87 | | 8.7 | | 29 | 10 | 9⅞ | 10 | +⅛ |
| 103½ | 67½ | AlaP pf 9.16 | | 9.2 | | z2300 | 99 | 99 | 99 | −¼ |
| 93 | 68¾ | AlaP pf 8.28 | | 9.0 | | z186 | 92½ | 92½ | 92½ | +1 |
| 23¼ | 14¼ | AlskAir .16 | | .9 | 18 | 322 | 17½ | 16⅞ | 17 | −½ |
| 25 | 9⅜ | Albrto s .21 | | 1.2 | 18 | 62 | 18¼ | 17½ | 18¼ | |
| 23¼ | 15¾ | AlbCul .21 | | 1.2 | 18 | 9 | 17⅜ | 17¼ | 17⅜ | −⅛ |
| 49½ | 26⅞ | Albtsns .84 | | 1.7 | 17 | 697 | 48⅜ | 47⅛ | 48¼ | +1⅞ |
| 34⅝ | 22¾ | Alcan .80 | | 2.6 | | 907 | 30⅝ | 30⅜ | 30½ | |
| 46¾ | 32 | AlcoStd .24 | | 2.9 | 19 | 238 | 43⅜ | 42⅛ | 43 | +⅜ |
| 40⅞ | 26¾ | AlexAlx 1 | | 2.5 | | 3168 | 48½ | 39½ | 40¼ | +⅝ |
| 47½ | 23½ | Alexdr | | | 27 | 25 | 38⅛ | 39 | 38 | +¼ |
| 104 | 75⅞ | AllgCp 1.54t | | 1.5 | 16 | 1 | 101½ | 101½ | 101½ | −½ |
| 26 | 25⅝ | AlgCp pf2.86 | | 18 | | 10 | 28½ | 26½ | 26½ | +½ |
| 28¾ | 11⅜ | AlgInt .35t | | 2.0 | | 897 | 17⅜ | 16¼ | 17⅜ | +¼ |
| 19¾ | 9½ | AlgIn pf2.19 | | 19. | | 83 | 12½ | 11¾ | 11¾ | −¾ |
| 95½ | 39 | AlgI pfC11.25 | | 19 | | 129 | 59¼ | 58 | 58 | −¾ |
| 53¾ | 38⅛ | AllgPw 2.80 | | 5.5 | 13 | 2069 | 52⅛ | 51⅜ | 51⅜ | −⅝ |
| 27¼ | 18½ | AllenG s .58 | | 2.7 | 18 | 18 | 20¾ | 20½ | 20⅝ | +¼ |
| 28⅞ | 23½ | Allen pf1.75 | | 7.0 | | 13 | 25 | 24½ | 25 | |
| 45½ | 16½ | AlldPd | | | 27 | 293 | 40¾ | 39½ | 39½ | −1¼ |
| 49½ | 36¾ | AldSgnl 1.80b | | 4.4 | | 2395 | 41⅞ | 40¾ | 40¾ | −1 |
| 114⅜ | 101½ | AldS pfD 12 | | 12. | | 4 | 102½ | 102½ | 102½ | +⅛ |
| 53½ | 25¼ | AldStr s1.16 | | 2.3 | 15 | 919 | 51¼ | 50½ | 51 | −¼ |
| [illegible] | | | | | | | | | | |

Continued on Page 35

# NYSE COMPOSITE CLOSING PRICES

Continued from Page 34

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 91 | 44½ | Pennzoil 2.20 | | 4.2 | 20 | 488 | 53¼ | 52⅝ | 52⅞ | −¾ |
| 23¾ | 14⅛ | PeopEn .32 | | 0.7 | 19 | 245 | 23⅝ | 23⅛ | 23⅛ | |
| 48¼ | 21⅛ | PepBoy .22 | | .5 | 20 | 462 | 44¼ | 43½ | 43¾ | −¾ |
| 35⅜ | 19⅛ | PepsiCo .64 | | 2.1 | 20 | 7523 | 31½ | 30⅞ | 31⅛ | −⅜ |
| 38⅞ | 23 | PerkEl .60 | | 2.2 | 16 | 1453 | 28 | 27¼ | 27⅝ | +⅛ |
| 8¼ | 5¾ | Prmian .84e | | 12. | 6 | 957 | 6¾ | 6⅝ | 6¾ | |
| 20⅞ | 12¾ | PeryDr .22 | | 1.5 | 15 | 838 | 15¼ | 14¼ | 15⅛ | +1 |
| 35¾ | 17⅞ | Petrie s .70 | | 2.6 | 15 | 1579 | 26¾ | 26¼ | 26½ | |
| 29⅞ | 22¾ | PetRs 3.51e | | 12. | | 48 | 29⅞ | 29⅜ | 29⅜ | −¼ |
| 19 | 15⅞ | PetRs pf1.57 | | 8.4 | | 17 | 19 | 18¾ | 18¾ | −⅛ |
| 3⅞ | 1⅞ | PtrInv .58e | | 28. | | 512 | 2¼ | 2 | 2¼ | +⅛ |
| 72⅞ | 43¾ | Pfizer 1.64 | | 2.4 | 10 | 3305 | 68⅞ | 67⅜ | 67⅞ | −⅜ |
| [illegible] | | | | | | | | | | |

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |
| 17½ | 10½ | WyleLb .32 | | 2.6 | 36 | 238 | 12⅝ | 12½ | 12½ | −⅛ |
| 25¾ | 15 | Wynns .60 | | 2.7 | | 28 | 22¾ | 22⅝ | 22⅝ | −⅛ |
| | | **X Y Z** | | | | | | | | |
| 72¼ | 45¾ | Xerox 3 | | 5.1 | 18 | 3743 | 58½ | 57⅞ | 58⅜ | +¼ |
| 58¼ | 53½ | Xerox pf5.45 | | 9.4 | | 2187 | 57¾ | 57⅛ | 57¾ | +⅝ |
| 28¾ | 20⅝ | XTRA .64 | | 2.6 | | 1131 | 24⅞ | 24½ | 24¾ | |
| 17⅝ | 13½ | Yorkin n | | | | 326 | 15⅞ | 15½ | 15½ | −¼ |
| 39 | 28½ | ZaleCp 1.45 | | 3.9 | | 4 | 35⅝ | 35½ | 35½ | −⅜ |
| 9½ | 3¼ | Zapata .03i | | | | 156 | 3¾ | 3⅝ | 3¾ | |
| 43⅞ | 28⅞ | Zayre s .32 | | 1.1 | 19 | 4953 | 29⅜ | 28½ | 28¾ | −¼ |
| 17 | 10⅝ | Zemex .40 | | 3.6 | 11 | 5 | 10½ | 10½ | 10½ | −⅛ |
| 20⅞ | 16¼ | ZenithE | | | | 848 | 25¾ | 25 | 25¼ | +¼ |
| 16¼ | 6⅝ | ZenLb s | | | 22 | 0726 | 9⅜ | d | 6 | 6¾ |
| 22⅝ | 14⅝ | Zero s .29 | | 1.6 | 18 | 359 | 18⅝ | 18⅛ | 18¼ | |
| 45¾ | 32¾ | Zurnin 1.32 | | 3.4 | 14 | 53 | 38⅝ | 38⅜ | 38½ | |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

# AMEX COMPOSITE CLOSING PRICES

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

# OVER-THE-COUNTER

*Nasdaq national market, 2.30pm prices*

| Stock | Sales (Hnds) | High | Low | Last | Chng |
|---|---|---|---|---|---|
| [illegible] | | | | | |

Continued on Page 33

# FINANCIAL TIMES
## WORLD STOCK MARKETS

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### WALL STREET

# Successful resistance to pressure

IN A SUCCESSFUL resistance to bearish brokerage comments on oil issues, as well as on IBM and General Motors, Wall Street stock markets rallied from early losses yesterday, *writes Terry Byland in New York.*

The bears were beaten off with the help of a rebound in federal bonds on rumours that the July trade deficit, due for release today, will be a record $16bn. Bond futures rallied sharply, and stocks were encouraged when major stock index futures moved to premiums over cash indices.

The stock market plunged in early trading after the assault by brokerage analysts on the strongest pillars supporting the market's latest upsurge. While General Motors has been a weak spot for some weeks, oil shares and IBM have provided the lead for the industrial sectors. However, the early losses were trimmed, and bargain-hunters took the initiative at midday.

At the close the Dow Jones industrial average was 4.36 down at 1,900.17

Analysts at Morgan Stanley, the Wall Street investment banker, led the attack on IBM and General Motors. The firm's motor industry analyst cut 1986 earnings estimates on all three of the Detroit car groups after GM offered substantial incentives to car buyers, in a move to trim heavy inventories.

GM, already under a cloud on Wall Street, shed $⅞ to $73⅜, Ford tumbled $1⅜ to $61¾ and Chrysler by $⅞ to $40¼.

A Morgan Stanley computer industry analyst reduced her 1986 earnings estimate for IBM to $9.80 a share and her 1987 estimate to $10.85. She told clients she did not think Big Blue's business would pick up in the final quarter of this year – a significant challenge to Wall Street's need to see corporate profits higher. IBM quickly fell an early $2 but rallied to $140¼, off $⅞ in brisk trading.

Another significant challenge to the recent buoyancy came from a "sell" recommendation on oils from E. F. Hutton, backed by similarly bearish comment from Merrill Lynch.

Hutton's analysts criticised the 15 to 20 per cent gain to 1986 highs in oils since the Opec agreement to cut output. These gains, the analyst commented, would require world crude oil to return to nearly $25 a barrel.

Mobil, the latest to reach its year's peak, fell $1 to $36¼ in heavy trading, and similar reactions came in Chevron, down $1 at $43⅞, and Exxon, down $½ at $68⅞.

British Petroleum, reporting lower-than-expected interim profits, fell $1⅛ to $40⅛ in brisk turnover, while Standard Oil, its US subsidiary, edged $⅝ down to $48⅞.

Outside these major areas, stock prices resisted selling attempts. Digital Equipment, still a significant rival to IBM, was $⅝ up at $101⅞, Burroughs added $⅛ to $74⅝ and Control Data $⅞ to $25⅝. Only Honeywell, $¼ off at $72, remained easier, unsettled by the knowledge that Sperry had decided against making a bid some time ago.

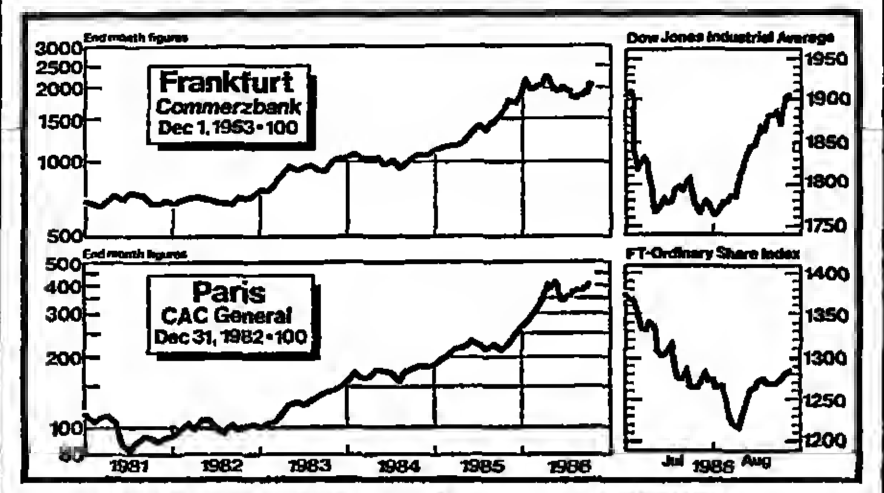
On the oil services sectors, Schlumberger rallied to show a fall of only $⅛ to $33⅜ while Reading Bates eased $⅛ to $1⅞ after omitting the dividend payment.

Airline stocks were a shade lower as traders began to suspect that People Express might yet fight off the problems at Frontier. United gave back $1¼ of its gain to $56¾ as analysts wondered if its bid for Frontier might be reactivated. People Express eased $¼ to $4¼ in hefty turnover on the over-the-counter market.

In the financial sector, the banks eased as indications that the economy is stronger than expected reduced chances of lower money market rates. Bankers Trust at $51¼ shed $¼, and Chase Manhattan at $42⅜ was $⅜ off.

Federal bonds opened uncertainly after the latest US economic indicators showed a 1.1 per cent rise for last month, indicating a stronger than expected economy. But prices rose smartly on confident forecasts of the trade deficit figures, due today. The key long-dated bond was more than half a point up at mid-session. Treasury bill rates shaded lower behind federal funds at 5⅞ per cent.

## KEY MARKET MONITORS




**STOCK MARKET INDICES**

| NEW YORK | August 28 | Previous | Year ago |
|---|---|---|---|
| DJ Industrials | 1,902.14* | 1,904.53 | 1,331.09 |
| DJ Transport | 777.13* | 781.50 | 693.70 |
| DJ Utilities | 217.39* | 217.78 | 160.03 |
| S&P Composite | 252.92* | 253.30 | 188.83 |
| **LONDON** | | | |
| FT Ord | 1,286.4 | 1,280.5 | 1,003.9 |
| FT-SE 100 | 1,636.8 | 1,629.8 | 1,323.9 |
| FT-A All-share | 807.93 | 803.57 | 639.95 |
| FT-A 500 | 887.07 | 883.76 | 702.02 |
| FT Gold mines | 245.1 | 244.9 | 280.1 |
| FT-A Long gilt | 9.45 | 9.43 | 10.32 |
| **TOKYO** | | | |
| Nikkei | 18,369.87 | 18,503.27 | 12,685.40 |
| Tokyo SE | 1,515.30 | 1,529.50 | 1,019.50 |
| **AUSTRALIA** | | | |
| All Ord. | 1,183.3 | 1,182.4 | 946.9 |
| Metals & Mins. | 543.0 | 545.3 | 534.8 |
| **AUSTRIA** | | | |
| Credit Aktien | 238.30 | 237.88 | 200.31 |
| **BELGIUM** | | | |
| Belgian SE | 3,836.85 | 3,833.48 | 2,370.75 |
| **CANADA** | | | |
| Toronto | | | |
| Metals & Minls | 2,054.2* | 2,048.5 | 2,086 |
| Composite | 3,031.8* | 3,038.1 | 2,800.8 |
| Montreal | | | |
| Portfolio | 1,519.52* | 1,523.22 | 135.77 |
| **DENMARK** | | | |
| SE | 198.50 | 197.74 | 212.70 |
| **FRANCE** | | | |
| CAC Gen | 468.30 | 410.90 | 221.8 |
| Ind. Tendance | 156.30 | 156.90 | 81.9 |
| **WEST GERMANY** | | | |
| FAZ-Aktien | 691.26 | 696.51 | 499.89 |
| Commerzbank | 2,085.50 | 2,104.80 | 1,468.1 |
| **HONG KONG** | | | |
| Hang Seng | 1,934.20 | 1,932.99 | 1,668.85 |
| **ITALY** | | | |
| Banca Comm. | 811.30 | 811.14 | 372.64 |
| **NETHERLANDS** | | | |
| ANP-CBS Gen | 296.50 | 297.70 | 217.7 |
| ANP-CBS Ind | 297.10 | 298.20 | 190.8 |
| **NORWAY** | | | |
| Oslo SE | 369.73 | 367.81 | 355.73 |
| **SINGAPORE** | | | |
| Straits Times | 824.54 | 822.86 | 745.77 |
| **SOUTH AFRICA** | | | |
| JSE Golds | – | 1,687.00 | 1,037.0 |
| JSE Industrials | – | 1,293.00 | 957.9 |
| **SPAIN** | | | |
| Madrid SE | 195.44 | 195.20 | 81.83 |
| **SWEDEN** | | | |
| J & P | 2,467.50 | 2,496.65 | 1,332.92 |
| **SWITZERLAND** | | | |
| Swiss Bank Ind | 564.60 | 561.70 | 477.4 |
| **WORLD** | Aug 27 | Prev | Year ago |
| MS Capital Int'l | 357.0 | 358.2 | 220.3 |

**COMMODITIES**

| (London) | Aug 28 | Prev |
|---|---|---|
| Silver (spot fixing) | 346.80p | 344.55p |
| Copper (cash) | £877.50 | £874.50 |
| Coffee (Sept) | £2,192.50 | £2,225.00 |
| Oil (Brent blend) | $14.35 | $14.30 |

**GOLD (per ounce)**

| | August 28 | Prev |
|---|---|---|
| London | $385.50 | $381.00 |
| Zürich | $386.25 | $380.25 |
| Paris (fixing) | $384.69 | $377.71 |
| Luxembourg | $382.85 | $378.65 |
| New York (Dec) | $392.00 | $386.30 |

**CURRENCIES**

| | US DOLLAR | | STERLING | |
|---|---|---|---|---|
| (London) | Aug 28 | Previous | Aug 28 | Previous |
| $ | – | – | 1.4810 | 1.4845 |
| DM | 2.0490 | 2.0475 | 3.035 | 3.035 |
| Yen | 155.95 | 154.65 | 231.0 | 229.5 |
| FFr | 6.7150 | 6.7025 | 9.945 | 9.95 |
| SFr | 1.6525 | 1.6450 | 2.4475 | 2.4425 |
| Guilder | 2.3105 | 2.3085 | 3.4225 | 3.4275 |
| Lira | 1,413.5 | 1,411.5 | 2,093.5 | 2,095.5 |
| BFr | 42.40 | 42.35 | 62.80 | 62.85 |
| C$ | 1.3925 | 1.3965 | 2.0635 | 2.0725 |

**INTEREST RATES**

| Euro-currencies (3-month offered rate) | Aug 28 | Prev |
|---|---|---|
| £ | 9$^{13}/_{16}$ | 9⅞ |
| SFr | 4⅛ | 4⅛ |
| DM | 4$^{7}/_{16}$ | 4$^{7}/_{16}$ |
| FFr | 7⅛ | 7$^{3}/_{16}$ |
| **FT London Interbank fixing** (offered rate) | | |
| 3-month US$ | 5$^{13}/_{16}$ | 5⅞ |
| 6-month US$ | 5$^{13}/_{16}$ | 5⅞ |
| **US Fed Funds** | 5$^{13}/_{16}$* | 5⅞ |
| **US 3-month CDs** | 5.45* | 5.50 |
| **US 3-month T-bills** | 5.26* | 5.28 |

**US BONDS**

**Treasury**

| | | August 28 Price | Yield | Prev Price | Yield |
|---|---|---|---|---|---|
| 6⅝ | 1988 | 100$^{7}/_{32}$ | 6.074 | 100$^{7}/_{32}$ | 6.091 |
| 7¼ | 1993 | 102$^{11}/_{32}$ | 6.80 | 102$^{15}/_{32}$ | 8.79 |
| 7⅜ | 1996 | 102$^{14}/_{32}$ | 7.01 | 102$^{15}/_{32}$ | 7.018 |
| 7¼ | 2016 | 99$^{31}/_{32}$ | 7.25 | 100 | 7.249 |

*Source: Harris Trust Savings Bank*

**Treasury Index**

| Maturity (years) | Return index | Aug 28* Day's change | Yield | Day's change |
|---|---|---|---|---|
| 1–30 | 157.89 | +0.42 | 6.79 | –0.05 |
| 1–10 | 149.79 | +0.24 | 6.50 | –0.04 |
| 1– 3 | 139.86 | +0.11 | 6.12 | –0.04 |
| 3– 5 | 152.35 | +0.21 | 6.65 | –0.04 |
| 15–30 | 187.06 | +1.07 | 7.75 | –0.06 |

*Source: Merrill Lynch*

| Corporate | August 28* Price | Yield | Prev Price | Yield |
|---|---|---|---|---|
| AT & T | | | | |
| 3⅞ July 1990 | 91.25 | 8.50 | 91.375 | 6.45 |
| SCBT South Central | | | | |
| 10⅞ Jan 1993 | 106.75 | 9.47 | 106.75 | 9.47 |
| Phibro-Sal | | | | |
| 8 April 1996 | 99.66 | 8.05 | 99.6254 | 8.05 |
| TRW | | | | |
| 8⅞ March 1996 | 103.112 | 8.27 | 101.933 | 8.45 |
| Arco | | | | |
| 9⅞ March 2016 | 106.875 | 9.2 | 107 | 9.18 |
| General Motors | | | | |
| 8⅛ April 2016 | 93.125 | 8.78 | 93.25 | 8.77 |
| Citicorp | | | | |
| 9⅜ March 2016 | 99.875 | 9.39 | 99.75 | 9.4 |

*Source: Salomon Brothers*

**FINANCIAL FUTURES**

| CHICAGO | Latest | High | Low | Prev |
|---|---|---|---|---|
| **US Treasury Bonds (CBT)** 8% 32nds of 100% | | | | |
| Sept | 102–00 | 102–10 | 101–05 | 101–01 |
| **US Treasury Bills (IMM)** $1m points of 100% | | | | |
| Sept | 94.82 | 94.84 | 94.73 | 94.78 |
| **Certificates of Deposit (IMM)** $1m points of 100% | | | | |
| Sept | 94.50 | 94.50 | 94.50 | 94.48 |
| **LONDON** | | | | |
| **Three-month Eurodollar** $1m points of 100% | | | | |
| Sept | 94.18 | 94.18 | 94.13 | 94.14 |
| **20-year Notional Gilt** £50,000 32nds of 100% | | | | |
| Sept | 121–13 | 121–16 | 121–02 | 121–09 |

* *Latest available figures*

### TOKYO

# Setback as buyers move to sidelines

*INVESTORS* retreated to the sidelines in Tokyo yesterday, and share prices suffered another setback, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average dropped 135.29 to 18,367.98. Volume slipped below 1bn for the first time in about two weeks, excluding Saturday half-day sessions, to total 739.20m shares. Losses outnumbered gains by 492 to 318, with 150 issues unchanged.

Investors were discouraged by fading prospects of imminent interest-rate cuts, since the West German Bundesbank seemed likely to decide against a reduction in its official discount rate and Bank of Japan Governor Satoshi Sumita had appeared negative on Wednesday about a reduction in the Japanese rate.

The Finance Ministry's reported plan to tax capital gains on individuals' stock investments continued to dampen non-residents' enthusiasm. Their sales through the Big Four securities houses came to 80m shares in the morning, more than double the usual level and four times their purchases.

Large-capital stocks declined in light selling and even lighter buying. The heaviest volume was only 68.87m shares for Nippon Steel, which lost Y17 to Y242. Nippon Kokan fell Y23 to Y267 and was the second most active with 32.06m shares. Kawasaki Steel dropped Y15 to Y253 and Mitsubishi Heavy Industries Y33 to Y605.

Tokyo Gas slipped below Y800, closing Y25 lower at Y795, while Tokyo Electric Power nose-dived Y240 to Y6,300.

Heavy electricals, which had been firm along with large-capital stocks, lost ground, with Toshiba tumbling Y51 to Y631 and Mitsubishi Electric Y24 to Y490. Hitachi also declined Y45 to Y995.

Among budget-related and information-related issues, Taisei and Kajima finished Y9 and Y50 down at Y803 and Y1,240, respectively, while Mitsubishi shed Y10 to Y1,280 and NEC Y60 to Y1,840.

Speculator favourites moved up sharply for the first time in many sessions, with Kyokuyo surging Y55 to Y1,040 and Nitto Boseki Y42 to Y565.

Bond dealers remain bullish, believing the basic trend of lower interest rates had not changed. But they were discouraged by a revival in the yield on the benchmark 6.2 per cent government bond buying by a leading brokerage house on Wednesday. The yield edged up from 4.550 per cent to 4.565 per cent against cross-currents of buying and selling.

### SOUTH AFRICA

GOLDS ENDED mixed to firmer in Johannesburg in quiet month-end trading and despite a higher bullion price.

Vaal Reefs gave up R7 to R318, and Southvaal was steady at R150 while Western Deep rose R3 to R115. Among lower-priced issues, Blyvoor firmed 25 cents to R22.50 and Orange Free State producer Loraine added a similar amount to R20.

Platinums recovered their losses, with Impala unchanged at R54 after news that it had raised producer prices and Rustenburg 25 cents off at R54.25.

### CANADA

INDUSTRIALS and oils lost ground in Toronto, where prices traded marginally lower.

Westburne Industries slipped C$⅛ to C$18⅝ while Canadian Pacific firmed C$⅛ to C$14⅞. Among oils Imperial shed C$¼ to C$44 and Gulf Canada C$⅜ to C$14½.

Precious metals strengthened as the price of bullion firmed. Dome Mines gained C$⅜ to C$9⅝, Campbell Red Lake added C$⅛ to C$25½ and Echo Bay gained C$⅜ to C$27⅞.

Montreal also turned down, with banks, oils and industrials lower.

### EUROPE

# Bundesbank stance triggers fall

UNCERTAINTY over whether the Bundesbank would cut its key rates kept most European bourses quietly lower yesterday. When the West German bank announced that it would leave its credit policies unchanged, many exchanges lost further ground.

Zurich was the exception. Swiss investors appeared to ignore the short-term vicissitudes of interest rates and dwell instead on medium-term domestic economic prospects. Strong local institutional buying focused on banks and chemicals while insurers, strong earlier in the week, encountered some profit-taking.

Swissair bearer was the prime feature in the transport sector as the airline added SFr 40 to SFr 1,460 in heavy trading while in active banks Union Bank rose SFr 30 to SFr 5,900.

Sandoz bearer held steady at SFr 1,475 while its participation certificates added SFr 20 to SFr 1,745. Hoffmann-La Roche was unchanged at SFr 109,875 while its "Baby" or one-tenth share jumped SFr 275 to SFr 11,225 in the over-the-counter trading. Ciba-Geigy followed quickly with a SFr 40 gain to SFr 5,590.

Among easier insurers Swiss Re and Zurich Insurance both closed SFr 25 cheaper at SFr 17,975 and SFr 7,775, respectively.

Bonds scored gains of up to a half point on the hopes that short-term interest rates would fall soon. Volume was moderate.

Frankfurt encountered trading that took the Commerzbank index down again with a 19.3 drop to 2,085.5. The index has fluctuated within a narrow 20-point range all week.

Hopes that the Bundesbank would cut its rates were discounted in early trading, and investors concentrated on the industrial news instead.

The main feature was Volkswagen's first-half rise to DM 284m profit from DM 281m in the corresponding period.

The modest gain proved a disappointment, and the volume car maker was marked down DM 10 to DM 296.20.

Other car marques were mixed. Daimler lost DM 8 to DM 1,309, and BMW added DM 3 to DM 641 after Toyota of Japan denied it had plans to buy into the West German car group.

BASF dipped 80 pfg to DM 272.70 after it had announced plans to set up a joint venture with Degussa in the US to manufacture polyacetal materials. Degussa gained DM 4 to DM 462.

Other features included a DM 4 gain to DM 180 for Preussag as it forecast a deterioration in earnings due to the recent fall in oil prices and the lower dollar.

Veba slipped DM 2.50 to DM 296.50 on its plans to buy a Texas-based chemicals company.

Bonds were narrowly mixed as the Bundesbank held firm on its current credit policies. Dealers now expect the central bank to cut key rates at its September 11 meeting.

The Bundesbank sold DM 43.4m worth of domestic paper after purchasing a hefty DM 205.3m on Wednesday. The average yield on public authority paper was unchanged at 5.57 per cent.

Amsterdam suffered from profit-taking pressure with internationals turning weaker on disappointed interest-rate hopes and the easier opening trading on Wall Street. The ANP-CBS General index fell 1.2 to 296.5.

Royal Dutch took a 70-cent markdown to Fl 207.80, and Philips at Fl 55.90 was 40 cents cheaper. KLM, beginning to reflect higher fuel costs, shed 40 cents to Fl 43.20, and Akzo sustained a Fl 1.40 decline to Fl 156.80. All of these shares had registered gains by midday.

Insurers were mixed, with Aegon, reporting a 10 per cent rise in six-month profit, up Fl 1.10 to Fl 104.80 and Amev,

Continued on Page 33

### AUSTRALIA

BUYERS kept to the sidelines in Sydney, but prices firmed marginally in another lacklustre day of trading. Sentiment remains depressed by the high interest rates and performances in markets overseas.

Bond Corporation gained 2 cents to A$3.35 ahead of higher annual profits while transport group Mayne Nickless added 3 cents to A$2.78 after reporting on Wednesday a 22 per cent increase in earnings.

Gold shares were easier on speculation that a tax on gold would soon be introduced. Kidston shed 38 cents to A$6.70, Renison lost 36 cents to A$7.10 ahead of a rise in annual earnings and Placer Pacific eased 10 cents to A$2.03.

Reckitt and Colman advanced 20 cents to A$6.30 before news that its UK parent had bought a 30 per cent stake in the subsidiary.

### LONDON

# Confidence ahead of TSB issue

INSTITUTIONS concentrated on banks and international issues in London yesterday where the consensus that the Trustee Savings Bank flotation would be a success buoyed business.

All of the big four clearing banks shared in the demand, and substantial rises were seen for Barclays, up 20p at 512p, and for Lloyds, 19p up at 442p.

The oil sector suffered a mid-session reversal, and news of BP's second-quarter results left it down 4p at 666p. Burmah Oil, however, gained 10p to 407p.

The FT-SE 100 edged 7 higher to 1,636.8, the 12th rise in the past 13 sessions, while the FT Ordinary share index added 5.9 to 1,286.4.

*Chief price changes, Page 33; Details Page 32; Share information service, Pages 30–31.*

### HONG KONG

THE CORPORATE NEWS continued to flow in Hong Kong, and prices seesawed, partly affected by Cathay Pacific's report of a smaller than expected interim profit.

Cathay eased 15 cents to HK$5.50 while its parent company, Swire Pacific, ended unchanged at HK$14.10. The group is due to announce its interim results today.

Jardine Matheson advanced 50 cents to HK$16.30 after rumours that Hongkong Land, in which Jardine holds a stake, will float off its Mandarin Oriental hotels group. Hongkong Land edged 5 cents higher to HK$6.40.

### SINGAPORE

BARGAIN-HUNTING countered profit-taking in Singapore, and most prices ended firmer although some were off their highs for the session.

Property issues were the day's attraction. UO Land rose 1 cent to S$1.49, Selangor Property 3 cents to S$1.14, City Development 1 cent to S$1.99 and Singapore Land 10 cents to S$5.10.

Blue chips which slipped on profit-taking included Fraser & Neave, 5 cents off at S$8.30, Cold Storage 2 cents at S$3.62, Cycle & Carriage 6 cents at S$1.86 and Haw Par 10 cents at S$3.12.